

# **PRINCE ALBERT**

## **MUNICIPALITY**



**AUDITED ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2018**

# PRINCE ALBERT LOCAL MUNICIPALITY

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# PRINCE ALBERT LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### GENERAL INFORMATION

#### NATURE OF BUSINESS

PRINCE ALBERT Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The PRINCE ALBERT Municipality includes the following areas:

*Prince Albert  
Klaarstroom  
Leeu Gamka*

#### EXECUTIVE MAYOR

*G. Lottering*

#### DEPUTY EXECUTIVE MAYOR

*L. Jaquet*

#### SPEAKER

*S. Botes*

#### MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor  
Deputy Executive Mayor  
Speaker

*G. Lottering  
L. Jaquet  
S. Botes*

#### MUNICIPAL MANAGER

Mr. H Mettler

#### CHIEF FINANCIAL OFFICER

Mr. J Neethling

#### REGISTERED OFFICE

23 Church Street  
Prince Albert  
6730  
*Private Bag X53  
PRINCE ALBERT  
6730*

#### AUDITORS

*Office of the Auditor General (WC)*

# PRINCE ALBERT LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### GENERAL INFORMATION

#### PRINCIPLE BANKERS

*ABSA Bank, Prince Albert*

#### ATTORNEYS

*Riaan Coetze*

#### RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)  
Collective Agreements  
Division of Revenue Act  
Electricity Act (Act no 41 of 1987)  
Employment Equity Act (Act no 55 of 1998)  
Housing Act (Act no 107 of 1997)  
Infrastructure Grants  
Municipal Budget and Reporting Regulations  
Municipal Finance Management Act (Act no 56 of 2003)  
Municipal Planning and Performance Management Regulations  
Municipal Property Rates Act (Act no 6 of 2004)  
Municipal Regulations on Standard Chart of Accounts  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Systems Amendment Act (Act no 7 of 2011)  
SALBC Leave Regulations  
Skills Development Levies Act (Act no 9 of 1999)  
Supply Chain Management Regulations, 2005  
The Income Tax Act  
Unemployment Insurance Act (Act no 30 of 1966)  
Value Added Tax Act  
Water Services Act (Act no 108 of 1997)

#### MEMBERS OF THE PRINCE ALBERT LOCAL MUNICIPALITY

##### WARD

Ward  
Ward  
Ward  
Ward  
Proportional  
Proportional  
Proportional

##### COUNCILLOR

G. Lottering  
M.D. Jaftha  
E. Maans  
L. Jaquet  
S. Piedt  
S. Botes  
R.M. Steyn

# PRINCE ALBERT LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018, which are set out on pages 1 to 98 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any Interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.

  
\_\_\_\_\_  
Accounting Officer

  
\_\_\_\_\_  
Date

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

|   | Notes | 2018<br>Final<br>R | 2017<br>Restated<br>R |
|---|-------|--------------------|-----------------------|
| <b>ASSETS</b>                                       |       |                    |                       |
| <b>Non-Current Assets</b>                           |       | <b>141 357 258</b> | <b>135 936 361</b>    |
| Property, Plant and Equipment                       | 2     | 127 604 707        | 122 088 919           |
| Investment Property                                 | 3     | 13 632 149         | 13 728 153            |
| Intangible Assets                                   | 4     | 120 402            | 119 289               |
| <b>Current Assets</b>                               |       | <b>34 914 925</b>  | <b>34 961 183</b>     |
| Inventory   | 6     | 715 375            | 574 437               |
| Receivables from Exchange Transactions              | 7     | 1 746 513          | 1 781 898             |
| Receivables from Non-exchange Transactions          | 8     | 1 435 797          | 1 214 420             |
| Unpaid Transfers and Subsidies                      | 16    | 1 895 217          | -                     |
| Operating Lease Asset                               | 5     | 41 199             | 5 493                 |
| Value Added Tax                                     | 17    | 3 666 732          | 3 126 245             |
| Cash and Cash Equivalents                           | 9     | 25 414 091         | 28 258 691            |
| <b>Total Assets</b>                                 |       | <b>176 272 182</b> | <b>170 897 544</b>    |
| <b>NET ASSETS AND LIABILITIES</b>                   |       |                    |                       |
| <b>Non-Current Liabilities</b>                      |       | <b>25 341 350</b>  | <b>24 502 607</b>     |
| Long-term Borrowings                                | 10    | 4 750              | 65 905                |
| Non-current Provisions                              | 11    | 19 032 273         | 18 998 008            |
| Non-current Employee Benefits                       | 12    | 6 304 327          | 5 438 694             |
| <b>Current Liabilities</b>                          |       | <b>7 925 632</b>   | <b>12 906 322</b>     |
| Consumer Deposits                                   | 13    | 447 761            | 432 955               |
| Current Employee Benefits                           | 14    | 2 144 228          | 1 746 871             |
| Trade and Other Payables from Exchange Transactions | 15    | 2 954 015          | 8 027 860             |
| Unspent Transfers and Subsidies                     | 16    | 2 318 472          | 1 782 160             |
| Cash and Cash Equivalents                           | 9     | -                  | 847 182               |
| Current Portion of Long-term Borrowings             | 10    | 61 155             | 69 296                |
| <b>Total Liabilities</b>                            |       | <b>33 266 982</b>  | <b>37 408 929</b>     |
| <b>Net Assets</b>                                   |       | <b>143 005 201</b> | <b>133 488 615</b>    |
| Capital Replacement Reserve                         | 19    | 13 160 543         | 1 211 687             |
| Accumulated Surplus                                 |       | 129 844 658        | 132 276 928           |
| <b>Total Net Assets and Liabilities</b>             |       | <b>176 272 182</b> | <b>170 897 544</b>    |

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

| REVENUE                                       | Notes | 2018<br>R         | 2017<br>Previous  | Reclassification<br>into mSSCOA | 2017<br>Reclassified | Correction of<br>Error | 2017<br>Restated  |
|---|-------|-------------------|-------------------|---------------------------------|----------------------|------------------------|-------------------|
| <b>Revenue from Non-exchange Transactions</b> |       |                   |                   |                                 |                      |                        |                   |
| <b>Taxation Revenue</b>                       |       | <b>50 820 806</b> | <b>55 862 199</b> | <b>1 713 237</b>                | <b>57 575 435</b>    | <b>120 000</b>         | <b>57 455 435</b> |
| Property Rates                                | 20    | 3 299 241         | 2 873 491         | -                               | 2 873 491            | -                      | 2 873 491         |
| Surcharges and Taxes                          |       | 3 165 948         | 2 873 491         | -                               | 2 873 491            | -                      | 2 873 491         |
| Transfer Revenue                              |       | 133 293           | -                 | -                               | -                    | -                      | -                 |
| Government Grants and Subsidies - Operating   | 21    | 40 745 637        | 40 996 922        | 1 707 127                       | 42 704 049           | 120 000                | 42 584 049        |
| Government Grants and Subsidies - Capital     | 21    | 23 850 867        | 21 712 764        | 1 833 999                       | 23 546 763           | 120 000                | 23 426 763        |
| Public Contributions and Donations            | 22    | 10 725 785        | 14 816 418        | (128 872)                       | 14 689 546           | -                      | 14 689 546        |
| Service in kind                               | 55    | 5 000             | -                 | -                               | -                    | -                      | -                 |
| Contributed Property, Plant and Equipment     | 22    | 3 565 511         | 3 067 740         | -                               | 3 067 740            | -                      | 3 067 740         |
| Other Revenue                                 |       | 2 588 473         | 1 400 000         | -                               | 1 400 000            | -                      | 1 400 000         |
| Actuarial Gains                               | 12    | 6 775 829         | 11 991 786        | 6 110                           | 11 997 896           | -                      | 11 997 896        |
| Fines, Penalties and Forfeits                 | 23    | 263 831           | 73 186            | -                               | 73 186               | -                      | 73 186            |
|   |       | 6 512 098         | 11 918 800        | 6 110                           | 11 924 710           | -                      | 11 924 710        |
| <b>Revenue from Exchange Transactions</b>     |       |                   |                   |                                 |                      |                        |                   |
| Service Charges                               | 25    | 25 674 860        | 26 479 330        | (1 761 487)                     | 24 717 843           | 5 228                  | 24 712 615        |
| Rendering of Services                         | 25    | 21 203 159        | 20 831 388        | 10 461                          | 20 941 859           | 21 412                 | 20 920 447        |
| Rental from Fixed Assets                      | 26    | 266 166           | -                 | 244 613                         | 244 613              | -                      | 244 613           |
| Interest Earned - External Investments        | 27    | 486 690           | 387 545           | (140)                           | 387 405              | (10 738)               | 398 144           |
| Interest Earned - Exchange Transactions       | 28    | 2 588 273         | 2 282 808         | -                               | 2 282 808            | -                      | 2 282 808         |
| Licences and Permits                          | 29    | 573 253           | 510 251           | -                               | 510 251              | -                      | 510 251           |
| Other Income from Exchange Transactions       | 24    | 261 866           | 232 666           | -                               | 262 666              | -                      | 262 666           |
| Operational Revenue                           | 30    | 295 353           | 2 104 661         | (2 104 661)                     | 88 240               | (5 445)                | 93 686            |
| Total Revenue                                 |       | <b>76 495 686</b> | <b>82 341 529</b> | <b>(48 250)</b>                 | <b>82 293 278</b>    | <b>125 228</b>         | <b>82 168 050</b> |

| Notes   | 2018<br>R         | 2017              |                                 | Reclassification<br>into mSSCOA | 2017<br>Reclassified | Correction of<br>Error | 2017<br>Restated |
|---|-------------------|-------------------|---------------------------------|---------------------------------|----------------------|------------------------|------------------|
|   |                   | Previous          | Reclassification<br>into mSSCOA |                                 |                      |                        |                  |
| <b>EXPENDITURE</b>                                    |                   |                   |                                 |                                 |                      |                        |                  |
| 31  | 20 337 691        | 14 116 043        | 1 456 604                       | 15 572 647                      | 15 572 647           |                        |                  |
| 32  | 2 928 175         | 2 626 867         | -                               | 2 626 667                       | -                    | 2 626 867              |                  |
| 34  | 7 150 151         | 5 828 470         | 1 705 289                       | 7 533 759                       | 74 530               | 7 608 289              |                  |
| 35  | 5 463 061         | 5 591 297         | -                               | 5 591 297                       | (209 662)            | 5 381 635              |                  |
|   |                   | 1 217 131         | (1 217 131)                     | -                               | -                    | -                      |                  |
| 12  | 55 252            | 261 030           | -                               | 261 030                         | -                    | 261 030                |                  |
| 36  | 1 158 097         | 1 751 406         | (457 331)                       | 1 294 075                       | -                    | 1 294 075              |                  |
| 37  | 9 522 208         | 7 921 716         | 1 808 018                       | 9 729 734                       | -                    | 9 729 734              |                  |
| 38  | 1 178 371         | -                 | 1 041 682                       | (3 771)                         | 1 041 682            | 1 037 911              |                  |
| 39  | 380 000           | -                 | 115 000                         | 115 000                         | -                    | 115 000                |                  |
| 40  | 8 666 143         | 12 827 564        | (12 827 564)                    | 8 375 433                       | 8 375 432            | (11 469)               | 8 363 963        |
|   |                   |                   |                                 |                                 |                      |                        |                  |
|   | <b>56 839 148</b> | <b>52 141 324</b> | -                               | <b>52 141 324</b>               | <b>(150 372)</b>     | <b>51 990 952</b>      |                  |
|   |                   |                   |                                 |                                 |                      |                        |                  |
| 33  | <b>19 656 518</b> | <b>30 200 205</b> | <b>(48 250)</b>                 | <b>30 161 954</b>               | <b>(25 144)</b>      | <b>30 177 098</b>      |                  |
| 42  | (3 657 614)       | (11 581 655)      | -                               | (11 581 655)                    | -                    | (11 581 655)           |                  |
| 43  | (703 583)         | (47 946)          | 4                               | (47 942)                        | -                    | (47 942)               |                  |
|   | (1 227 592)       | -                 | 48 246                          | 48 246                          | -                    | 48 246                 |                  |
|   | <b>9 067 728</b>  | <b>18 570 603</b> | <b>-</b>                        | <b>18 570 603</b>               | <b>(25 144)</b>      | <b>18 595 747</b>      |                  |
| <b>Operating Surplus for the Year</b>                 |                   |                   |                                 |                                 |                      |                        |                  |
| <b>Contribution to Impairment Loss on Receivables</b> |                   |                   |                                 |                                 |                      |                        |                  |
| <b>Loss on Disposal of Fixed Assets</b>               |                   |                   |                                 |                                 |                      |                        |                  |
| <b>Impairment Loss on Fixed Assets</b>                |                   |                   |                                 |                                 |                      |                        |                  |
| <b>NET SURPLUS FOR THE YEAR</b>                       |                   |                   |                                 |                                 |                      |                        |                  |

**PRINCE ALBERT LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018**

|   | <b>Capital<br/>Replacement<br/>Reserve</b><br><b>R</b> | <b>Accumulated<br/>Surplus</b><br><b>R</b> | <b>Total</b><br><b>R</b> |
|---|--|--|--------------------------|
| <b>Balance at 1 July 2016</b>             | <b>1 469 160</b>                                       | <b>110 354 698</b>                         | <b>111 823 858</b>       |
| <b>Restated balance</b>                   | <b>1 469 160</b>                                       | <b>110 354 698</b>                         | <b>111 823 858</b>       |
| Net Surplus for the year                  | -  | 21 664 755                                 | 21 664 755               |
| Net Surplus previously reported           | -  | 18 595 747                                 | 18 595 747               |
| Effects of Correction of Errors - note 45 | -  | 3 069 008                                  | 3 069 008                |
| Transfer to/from CRR                      | (257 473)  | 257 473                                    | -                        |
| <b>Balance at 30 June 2017</b>            | <b>1 211 687</b>                                       | <b>132 276 926</b>                         | <b>133 488 613</b>       |
| <b>Restated balance</b>                   | <b>1 211 687</b>                                       | <b>132 276 926</b>                         | <b>133 488 613</b>       |
| Net Surplus for the year                  | -  | 9 067 729                                  | 9 067 729                |
| Transfer to/from CRR                      | 11 500 000   | (11 500 000)                               | -                        |
| Asset Disposals                           | 448 856  | -  | 448 856                  |
| <b>Balance at 30 June 2018</b>            | <b>13 160 543</b>                                      | <b>129 844 655</b>                         | <b>143 005 198</b>       |

**PRINCE ALBERT LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

|   | Notes   | 2018<br>R           | 2017<br>R           |
|---|---------|---------------------|---------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |         |                     |                     |
| <b>Cash receipts</b>  |         |                     |                     |
| Ratepayers and Other  | 46      | 25 692 764          | 18 111 823          |
| Government - Operating                                      |         | 23 750 907          | 23 426 763          |
| Government - Capital  |         | 10 609 000          | 14 689 546          |
| Interest  | 28 & 29 | 3 161 526           | 2 793 059           |
| <b>Cash payments</b>  |         |                     |                     |
| Suppliers and Employees                                     | 46      | (53 205 714)        | (41 233 007)        |
| Finance Charges   | 36      | (1 158 097)         | (1 294 075)         |
| Transfers and subsidies                                     | 39      | (380 000)           | (115 000)           |
| <b>Net Cash from Operating Activities</b>                   | 46      | <u>8 470 386</u>    | <u>16 379 109</u>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |         |                     |                     |
| Purchase of Property, Plant and Equipment                   | 2       | (10 841 393)        | (15 772 549)        |
| Proceeds on Disposal of Fixed Assets                        | 2       | 448 856             | -                   |
| Purchase of Intangible Assets                               | 4       | (20 777)            | (22 753)            |
| <b>Net Cash from Investing Activities</b>                   |         | <u>(10 413 314)</u> | <u>(15 795 302)</u> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                  |         |                     |                     |
| Loans Repaid  | 10      | (69 296)            | (70 159)            |
| New Loans Raised  | 10      | -                   | 131 577             |
| Increase in Consumer Deposits                               | 13      | 14 806              | 18 051              |
| <b>Net Cash from Financing Activities</b>                   |         | <u>(54 489)</u>     | <u>79 469</u>       |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b> |         |                     |                     |
|   |         | <u>(1 997 418)</u>  | <u>663 276</u>      |
| Cash and Cash Equivalents at the beginning of the year      |         | 27 411 509          | 26 748 233          |
| Cash and Cash Equivalents at the end of the year            | 58      | <u>25 414 091</u>   | <u>27 411 509</u>   |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b> |         | <u>(1 997 418)</u>  | <u>663 276</u>      |

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

|                                      | Original Budget | Budget Adjustments (I.O. #28 and #31 of the MFMIA) | Final Adjustment Budget |             | Actual Outcome | Difference  | Actual Outcome as % of Final Budget | Explanations for material variances more than 10% of a specific line item with a minimum of 300,000.00            |
|--------------------------------------|-----------------|--|-------------------------|-------------|----------------|-------------|-------------------------------------|---|
|                                      |                 |  | R                       | R           |                |             |                                     |   |
| <b>ASSETS</b>                        |                 |  |                         |             |                |             |                                     |   |
| <b>Current Assets</b>                |                 |  |                         |             |                |             |                                     |   |
| Cash                                 | 4 042 000       | (2 642 000)  | 1 400 000               | 1 400 000   | 339 541        | (1 060 458) | -76%                                | Increase in debt impairment led to an decrease in cash.   |
| Call Investment Deposits             | 15 000 000      | 14 000 000   | 29 000 000              | 29 000 000  | 25 074 550     | (3 925 450) | -14%                                | Increase in debt impairment led to an decrease in cash.   |
| Consumer Debtors                     | 4 358 236       | (1 026 236)  | 3 329 000               | 3 329 000   | 1 746 513      | (1 562 487) | -48%                                | Increase in debt impairment led to an decrease in debtors outstanding at year end.                                |
| Other Debtors                        |                 |  |                         |             | 5 143 728      | 1 943 728   | 61%                                 | Increase in taxes owed to the municipality from the receiver of revenue.  |
| Unpaid Transfers and Subsidies       | 3 200 000       |  | 3 200 000               | 3 200 000   | 1 895 217      | 1 895 217   | 0%                                  | Overspent on NIEP grant as approved by Dept of Energy for due to a timing difference.                             |
| Inventory                            |                 |  | 575 000                 | 575 000     | 715 375        | 140 375     | 24%                                 | Increase in inventory due to projects not completed at year end and was not WIP therefore taken to 24% inventory. |
| <b>Total Current Assets</b>          | 23 400 236      | 14 103 764   | 37 504 000              | 37 504 000  | 34 814 925     | (2 589 075) | -7%                                 |   |
| <b>Non-Current Assets</b>            |                 |  |                         |             |                |             |                                     |   |
| Investment Property                  | 13 288 164      | -  | 13 283 164              | 13 283 164  | 13 632 149     | 343 985     | 3%                                  | Not material.   |
| Property, Plant and Equipment        | 108 482 029     | 8 854 500  | 117 256 529             | 117 256 529 | 127 604 707    | 10 349 178  | 9%                                  | Not material.   |
| Intangible Assets                    | 111 318         | 7 982  | 119 300                 | 119 300     | 120 402        | 1 102       | 1%                                  | Not material.   |
| <b>Total Non-Current Assets</b>      | 121 801 511     | 8 862 482  | 150 663 983             | 150 663 983 | 141 357 258    | 10 683 265  | 8%                                  |   |
| <b>TOTAL ASSETS</b>                  | 145 201 747     | 22 986 246   | 168 167 983             | 168 167 983 | 176 272 183    | 8 104 190   | 5%                                  |   |
| <b>LIABILITIES</b>                   |                 |  |                         |             |                |             |                                     |   |
| <b>Current Liabilities</b>           |                 |  |                         |             |                |             |                                     |   |
| Borrowing                            | 37 531          | 31 765   | 68 296                  | 68 296      | 61 155         | (6 141)     | -12%                                | Not material.   |
| Consumer Deposits                    | 414 906         | 18 049   | 432 955                 | 432 955     | 447 761        | 14 806      | 3%                                  | Not material.   |
| Trade and Other Payables             | 7 651 003       | -  | 7 651 003               | 7 651 003   | 5 272 488      | (2 378 515) | -37%                                | A general decrease in creditors at year end due to better financial management.                                   |
| Provisions                           | 300 522         | -  | 300 522                 | 300 522     | 2 144 228      | 1 843 706   | 61%                                 | Not budgeted for correctly.   |
| <b>Total Current Liabilities</b>     | 8 403 962       | 49 814   | 8 453 776               | 8 453 776   | 7 925 632      | (528 144)   | -6%                                 |   |
| <b>Non-Current Liabilities</b>       |                 |  |                         |             |                |             |                                     |   |
| Borrowing                            | 36 251          | (12 000)   | 24 251                  | 24 251      | 4 750          | (19 501)    | -40%                                | Not material.   |
| Provisions                           | 25 622 412      | (1 011 404)  | 24 611 008              | 24 611 008  | 25 338 600     | 725 592     | 3%                                  | Actuals reports showed an increase that was not budgeted for correctly.   |
| <b>Total Non-Current Liabilities</b> | 25 659 663      | (1 023 404)  | 24 635 259              | 24 635 259  | 25 341 350     | 706 091     | 3%                                  |   |
| <b>TOTAL LIABILITIES</b>             | 34 062 625      | (973 590)  | 33 089 035              | 33 089 035  | 33 266 982     | 177 947     | 1%                                  |   |
| <b>NET ASSETS</b>                    |                 |  |                         |             |                |             |                                     |   |
| Accumulated Surplus                  | 110 839 122     | 22 528 149   | 133 367 271             | 133 367 271 | 129 844 658    | (3 522 613) | -3%                                 |   |
| Reserves                             | 300 000         | 1 411 887  | 1 711 887               | 1 711 887   | 13 160 543     | 11 446 856  | 66%                                 |   |
| <b>TOTAL NET ASSETS</b>              | 111 139 122     | 23 939 836   | 135 078 958             | 135 078 958 | 143 005 201    | 7 926 243   | 6%                                  |   |

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

| Original Budget  | Budget Adjustments (i.e. s26 and s31 of the NFMIA) | Final Adjustment Budget |                   | Final Budget      |                   | Actual Outcome     | Difference  | Actual Outcome as % of Final Budget  |
|--|--|-------------------------|-------------------|-------------------|-------------------|--------------------|-------------|--|
|  |  | R                       | R                 | R                 | R                 |                    |             |  |
| <b>REVENUE</b>   |  |                         |                   |                   |                   |                    |             |  |
| Property Rates   | 3 080 000  | -                       | 3 080 000         | 3 050 000         | 3 165 948         | 105 948            | 3%          | Not material.  |
| Service Charges - Electricity Revenue                                | 13 565 000   | (380 000)               | 13 185 000        | 13 185 000        | 13 441 081        | 256 061            | 2%          | Not material.  |
| Service Charges - Water Revenue                                      | 3 825 500  | (670 500)               | 3 155 000         | 3 165 000         | 3 318 827         | 163 827            | 5%          | Not material.  |
| Service Charges - Sanitation Revenue                                 | 2 636 700  | (42 700)                | 2 594 000         | 2 584 000         | 2 905 830         | 311 830            | 12%         | Increase due to more auctions.   |
| Service Charges - Refuse Revenue                                     | 1 479 400  | (46 400)                | 1 433 000         | 1 433 000         | 1 637 441         | 104 441            | 7%          | Not material.  |
| Rental of Facilities and Equipment                                   | 437 500  | 24 000                  | 481 500           | 481 500           | 488 690           | 25 190             | 5%          | Not material.  |
| Interest Earned - External Investments                               | 1 080 000  | 1 320 000               | 2 380 000         | 2 380 000         | 2 588 273         | 208 273            | 9%          | Not material.  |
| Interest Earned - Outstanding Debtors                                | 780 000  | (250 000)               | 530 000           | 530 000           | 573 253           | 43 253             | 8%          | Not material.  |
| Service in kind  | -  | -                       | -                 | -                 | 3 585 511         | 3 585 511          | 100%        | Budgeted for under other revenue.  |
| Contributed Property, Plant and Equipment                            | -  | -                       | -                 | -                 | 2 538 473         | 2 538 473          | 100%        | Not budgeted for.  |
| Fines  | 4 012 500  | (390 000)               | 3 712 500         | 3 712 500         | 6 512 088         | 2 799 598          | 75%         | Not budgeted for correctly. Fines increased better than expected.  |
| Licences and Permits   | 180 000  | 28 000                  | 208 000           | 208 000           | 281 966           | 53 966             | 28%         | Not material.  |
| Transfers Recognised - Operational                                   | 38 050 450   | (952 000)               | 35 098 450        | 35 098 450        | 23 895 867        | (11 292 593)       | -32%        | Not budgeted for correctly.  |
| Other Revenue  | 1 565 000  | 3 612 700               | 5 177 700         | 5 177 700         | 825 350           | (4 352 350)        | -84%        | Reclassifications due to mSCOA lead to amounts being classified separately from other revenue to services in kind. |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>68 652 050</b>                                  | <b>2 343 100</b>        | <b>70 995 150</b> | <b>70 995 150</b> | <b>65 769 881</b> | <b>(5 225 289)</b> | <b>-7%</b>  |  |
| <b>EXPENDITURE</b>   |  |                         |                   |                   |                   |                    |             |  |
| Employee Related Costs   | 18 609 860   | (719 000)               | 17 890 860        | 17 880 860        | 20 337 691        | 2 446 801          | 14%         | Reclassification of PNU staff salaries.  |
| Remuneration of Councillors  | 2 915 000  | -                       | 2 915 000         | 2 915 000         | 2 928 175         | 13 175             | 0%          | Not material.  |
| Debt Impairment  | 5 449 000  | -                       | 5 449 000         | 5 449 000         | 8 667 614         | 3 208 614          | 59%         | Increase in provision for bad debt due to debtors not paying.  |
| Depreciation and Asset Impairment                                    | 2 613 000  | -                       | 2 813 000         | 2 813 000         | 5 463 051         | 2 850 051          | 94%         | Increase from Landfill site depreciation.  |
| Actuarial Losses   | -  | -                       | -                 | -                 | 65 252            | 65 252             | 100%        | Not material.  |
| Finance Charges  | 85 000   | (30 000)                | 55 000            | 55 000            | 1 158 097         | 1 103 097          | 200%        | Increase from Landfill site finance charges.   |
| Bulk Purchases   | 8 474 000  | (574 000)               | 7 900 000         | 7 900 000         | 9 522 208         | 1 622 208          | 21%         | Increase of 430 houses newly erected that lead to an increase in bulk purchases.                                   |
| Other Materials  | 2 033 500  | (27 500)                | 2 006 000         | 2 006 000         | 1 178 371         | (827 829)          | -41%        | Reclassification due to mSCOA.   |
| Contracted Services  | 18 258 420   | (10 515 500)            | 7 742 920         | 7 742 920         | 7 150 151         | (582 769)          | -8%         | Reclassification due to mSCOA.   |
| Transfers and Grants   | -  | -                       | -                 | -                 | 380 000           | 380 000            | 100%        | Reclassification due to mSCOA.   |
| Other Expenditure  | 9 714 470  | 14 710 870              | 24 425 440        | 24 425 440        | 8 668 143         | (15 759 297)       | -65%        | Reclassification due to mSCOA.   |
| <b>Total Expenditure</b>   | <b>68 362 280</b>                                  | <b>2 844 970</b>        | <b>71 197 250</b> | <b>71 197 250</b> | <b>1 931 175</b>  | <b>1 831 175</b>   | <b>100%</b> | <b>Not budgeted for.</b>   |
| Surplus  | <b>299 770</b>                                     | <b>(501 870)</b>        | <b>(202 100)</b>  | <b>(202 100)</b>  | <b>67 427 937</b> | <b>(3 788 313)</b> | <b>-5%</b>  |  |
| Transfers Recognised - Capital                                       | -  | <b>8 228 486</b>        | <b>8 228 486</b>  | <b>8 228 486</b>  | <b>10 725 785</b> | <b>2 497 299</b>   | <b>30%</b>  |  |
| <b>Surplus after Capital Transfers &amp; Contributions</b>           | <b>299 770</b>                                     | <b>7 726 616</b>        | <b>8 026 386</b>  | <b>8 026 386</b>  | <b>9 067 729</b>  | <b>1 041 343</b>   | <b>13%</b>  |  |

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

|  | Original Budget   | Final Adjustment Budget | Final Budget     | Actual Outcome      | Difference          | Actual Outcome as % of Final Budget | Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00 |   |  |  |  |  |  |  |
|--|-------------------|-------------------------|------------------|---------------------|---------------------|-------------------------------------|--|---|--|--|--|--|--|--|
|  |                   |                         |                  |                     |                     |                                     | R  | R |  |  |  |  |  |  |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>       |                   |                         |                  |                     |                     |                                     |  |   |  |  |  |  |  |  |
| <b>Receipts</b>                                  |                   |                         |                  |                     |                     |                                     |  |   |  |  |  |  |  |  |
| Ratespayers and Other                            | 31 186 000        | 2 225 100               | 33 391 100       | 25 692 764          | (7 698 336)         | -23%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| Government - Operating                           | 35 846 000        | (952 000)               | 34 694 000       | 23 750 907          | (10 943 093)        | -32%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| Government - Capital                             | -                 | -                       | -                | 10 609 000          | 10 609 000          | 100%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| Interest   | 1 840 000         | 1 070 000               | 2 910 000        | 3 161 626           | 251 526             | 9%                                  | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| Payments   |                   |                         |                  |                     |                     |                                     |  |   |  |  |  |  |  |  |
| Suppliers and Employees                          | (65 616 890)      | (2 874 970)             | (68 491 860)     | (53 205 714)        | 15 286 146          | -22%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| Finance costs                                    | (85 000)          | 30 000                  | (55 000)         | (11 158 067)        | (1 103 097)         | 200%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| Transfers and Grants                             | (2 650 000)       | 2 650 000               | -                | (380 000)           | (380 000)           | 100%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| <b>Net Cash from/(used) Operating Activities</b> | <b>300 110</b>    | <b>2 148 130</b>        | <b>2 448 240</b> | <b>8 470 386</b>    | <b>6 022 146</b>    | <b>245.98%</b>                      |  |   |  |  |  |  |  |  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>       |                   |                         |                  |                     |                     |                                     |  |   |  |  |  |  |  |  |
| <b>Receipts</b>                                  |                   |                         |                  |                     |                     |                                     |  |   |  |  |  |  |  |  |
| Purchase of Property, Plant and Equipment        |                   |                         |                  | (10 841 393)        | (10 841 393)        | 100%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| Proceeds on Disposal of Fixed Assets             |                   |                         |                  | 448 858             | 448 858             | 100%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| Purchase of Intangible Assets                    |                   |                         |                  | (20 777)            | (20 777)            | 100%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| <b>Net Cash from/(used) Investing Activities</b> | <b>-</b>          | <b>-</b>                | <b>-</b>         | <b>(10 413 314)</b> | <b>(10 413 314)</b> | <b>100%</b>                         |  |   |  |  |  |  |  |  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>       |                   |                         |                  |                     |                     |                                     |  |   |  |  |  |  |  |  |
| <b>Receipts</b>                                  |                   |                         |                  |                     |                     |                                     |  |   |  |  |  |  |  |  |
| Short Term Loans                                 |                   |                         |                  | (69 286)            | (69 286)            | 100%                                | Cashflow not budgeted for correctly due to mSCOA amendments.   |   |  |  |  |  |  |  |
| New Loans Raised                                 |                   |                         |                  | -                   | -                   |                                     |  |   |  |  |  |  |  |  |
| Increase in Consumer Deposits                    |                   |                         |                  | -                   | -                   |                                     |  |   |  |  |  |  |  |  |
| <b>Payments</b>                                  | <b>-</b>          | <b>-</b>                | <b>-</b>         | <b>14 806</b>       | <b>14 806</b>       | <b>100%</b>                         |  |   |  |  |  |  |  |  |
| Repayment of Borrowing                           |                   |                         |                  |                     |                     |                                     |  |   |  |  |  |  |  |  |
| <b>Net Cash from/(used) Financing Activities</b> | <b>-</b>          | <b>-</b>                | <b>-</b>         | <b>(54 489)</b>     | <b>(54 489)</b>     | <b>100%</b>                         |  |   |  |  |  |  |  |  |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>      |                   |                         |                  |                     |                     |                                     |  |   |  |  |  |  |  |  |
| Cash and Cash Equivalents at the year begin:     | 300 110           | 2 148 130               | 2 448 240        | (1 987 418)         | (4 445 658)         | -18.59%                             |  |   |  |  |  |  |  |  |
| Cash and Cash Equivalents at the year end:       | 28 258 691        | -                       | -                | 27 411 509          | 27 411 509          | 100%                                |  |   |  |  |  |  |  |  |
|  | <b>28 558 801</b> | <b>2 148 130</b>        | <b>2 448 240</b> | <b>25 414 091</b>   | <b>22 985 851</b>   | <b>93.06%</b>                       |  |   |  |  |  |  |  |  |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the Initial adoption of Standards of GRAP.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

**PRINCE ALBERT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts are set out in note 44 of the annual financial statements.

**1.5. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

**PRINCE ALBERT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

| REFERENCE                             | TOPIC   | EFFECTIVE DATE |
|---------------------------------------|---|----------------|
| GRAP 20<br>(Original –<br>Jun 2011)   | <p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p> | 1 April 2019   |
| GRAP 32<br>(Original –<br>Aug 2013)   | <p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>   | 1 April 2019   |
| GRAP 108<br>(Original –<br>Sept 2013) | <p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p>   | 1 April 2019   |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|                 |   |              |
|-----------------|---|--------------|
|                 | The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.  |              |
| <b>GRAP 109</b> | <p><b><u>Accounting by Principles and Agents</u></b></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>  | 1 April 2019 |
| <b>GRAP 110</b> | <p><b><u>Living and non-living resources</u></b></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>   | 1 April 2020 |
| <b>IGRAP 17</b> | <p><b><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></b></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p> | Unknown      |

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## 1.9. RESERVES

### 1.9.1. *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited or debited, as the case may be, by a corresponding amount when the amounts in the CRR are utilized.

**PRINCE ALBERT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

## **1.10. LEASES**

### **1.10.1. *Municipality as Lessee***

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### **1.10.2. *Municipality as Lessor***

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall

**PRINCE ALBERT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

### **1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### **1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

### **1.13. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

**PRINCE ALBERT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.14. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

## **1.15. EMPLOYEE BENEFITS**

### **(a) *Pension and Retirement Fund Obligations***

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in

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which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

***(b) Post-Retirement Medical Obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as employee related cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

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**(c) Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

**(d) Ex-Gratia Pension Benefits**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee related cost upon valuation as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

**(e) Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end, to a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave, to a maximum of 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

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**(f) Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

**(g) Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees.

**1.16. PROPERTY, PLANT AND EQUIPMENT**

**1.16.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

**1.16.2. *Subsequent Measurement – Cost Model***

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.16.3. *Depreciation and Impairment***

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives in years:

**Infrastructure**

|                  |    |
|------------------|----|
| Roads and Paving | 60 |
| Pedestrian Malls | 30 |
| Electricity      | 60 |
| Water            | 60 |
| Sanitation       | 60 |
| Sewerage         | 60 |
| Housing          | 95 |

**Community**

|                    |     |
|--------------------|-----|
| Buildings          | 95  |
| Recreation centres | 95  |
| Security           | 95  |
| Halls              | 5   |
| Libraries          | 100 |
| Parks and gardens  | 95  |
| Other assets       | 20  |
|                    | 20  |

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|                                 |     |
|---------------------------------|-----|
| <b>Other</b>                    |     |
| Buildings                       | 100 |
| Specialist vehicles             | 15  |
| Other vehicles                  | 16  |
| Office equipment                | 30  |
| Furniture and fittings          | 30  |
| Watercraft                      | 15  |
| Bins and containers             | 5   |
| Specialised plant and Equipment | 15  |
| Other plant and Equipment       | 30  |
| Landfill sites                  | 15  |
| Quarries                        | 25  |
| Emergency equipment             | 10  |
| Computer equipment              | 15  |

**Finance lease assets**

|                  |   |
|------------------|---|
| Office equipment | 5 |
| Other assets     | 5 |

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.16.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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**1.16.5. *Land and Buildings and Other Assets – application of deemed cost* (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**1.17. INTANGIBLE ASSETS**

**1.17.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the

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asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

**1.17.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.17.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| <u>Intangible Assets</u>   | <u>Years</u> |
|----------------------------|--------------|
| Computer Software          | 10           |
| Computer Software Licences | 10           |

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differ from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

**1.17.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

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**1.18. INVESTMENT PROPERTY**

**1.18.1. *Initial Recognition***

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.18.2. *Subsequent Measurement – Cost Model***

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.18.3. *Depreciation and Impairment – Cost Model***

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at

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each year end, with the effect of any changes in estimate accounted for on a prospective basis.

**Investment Property**

Buildings

Years  
100

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

**1.18.4. De-recognition**

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.18.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

**1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.19.1. Cash generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the

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technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

**(b) Internal sources of information**

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered Impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the

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asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.19.2. Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

**(a) External sources of information**

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

**(b) Internal sources of information**

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the

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asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## **1.20. INVENTORIES**

### ***1.20.1. Initial Recognition***

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### ***1.20.2. Subsequent Measurement***

Inventories, consisting of consumable stores, land, materials and supplies, water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

## **1.21. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

### **1.21.1. *Initial Recognition***

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

### **1.21.2. *Subsequent Measurement***

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### **1.21.2.1. *Receivables***

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no

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objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the Impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.21.2.2. Payables and Annuity Loans**

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.21.2.3. Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

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**1.21.3. *De-recognition***

**1.21.3.1. *Financial Assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.21.3.2. *Financial Liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

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**1.21.4. *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**1.22. STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

**1.22.1. *Initial Recognition***

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

**1.22.2. *Subsequent Measurement***

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

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**1.22.3. *Derecognition***

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - i. derecognise the receivable; and
  - ii. recognise separately any rights and obligations created or retained in the transfer.

**1.23. REVENUE**

**1.23.1. *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be

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recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial

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recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

**1.23.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction

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that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.24. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).

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- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

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**1.25. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.26. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

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**1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Post-retirement medical obligations, Long service awards and Ex gratia gratuities***

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

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For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

***Revenue Recognition***

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.30. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.31. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.32. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

**1.33. VALUE ADDED TAX (VAT)**

**1.33.1 Current VAT assets and liabilities**

Current VAT for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

**PRINCE ALBERT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

Current VAT liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the VAT authorities, using the tax rates and VAT laws that have been enacted or substantively enacted by the reporting date.

**1.33.2 Deferred VAT assets and liabilities**

Deferred VAT liability is recognised for all taxable temporary differences, except to the extent that the deferred VAT liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (VAT loss).

A deferred VAT asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred VAT asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused VAT to the extent that it is probable that future taxable profit will be available against which the unused VAT losses.

Deferred VAT assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and VAT laws) that have been enacted or substantively enacted by the reporting date.

## 2. PROPERTY, PLANT AND EQUIPMENT

| Cost of Construction            |                  | Accumulated Depreciation |              | Carrying Value |                 |
|---------------------------------|------------------|--------------------------|--------------|----------------|-----------------|
| Opening Balance                 | Reclassification | Correction of Error      | Amortisation | Written Down   | Closing Balance |
| 26 692 300                      | (1 603 344)      | 1 765 644                | -            | -              | 26 694 690      |
| 8 692 242                       | -                | 512 002                  | 2 828 703    | -              | 11 603 913      |
| 32 022 070                      | 1 603 344        | 270 817                  | 3 650 265    | -              | 36 681 244      |
| 29 350 000                      | -                | 441 462                  | -            | -              | 29 771 267      |
| 858 250                         | 10 980           | -                        | -            | -              | 875 246         |
| 110 491 370                     | -                | -                        | -            | (856 504)      | 860 961         |
|                                 |                  | 2 087 004                | 8 467 814    | (43 989)       | 22 715          |
|                                 |                  |                          |              | (110 490 781)  | (21 266)        |
|                                 |                  |                          |              |                | 10 307 073      |
|                                 |                  |                          |              |                | 4 539 801       |
| <b>Community Assets</b>         |                  |                          |              |                |                 |
| <b>Community Facilities</b>     |                  |                          |              |                |                 |
| Halls                           | 8 087 279        | 80 000                   | -            | -              | 8 168 279       |
| Motels                          | 1 137 000        | -                        | -            | -              | 1 137 000       |
| Libraries                       | 1 189 278        | 13 200                   | -            | -              | 1 176 078       |
| Cambridge/Clementine            | 51 650           | -                        | -            | -              | 51 650          |
| Plants                          | 116 500          | -                        | -            | -              | 116 500         |
| Outdoor Facilities              | 10 621 975       | 84 670                   | 2 658 473    | -              | (23 250)        |
|                                 | 19 257 183       | 383 170                  | -            | -              | 19 640 353      |
|                                 |                  |                          |              | (26 909)       | 22 622 621      |
|                                 |                  |                          |              |                | 135 920         |
|                                 |                  |                          |              |                | 860 300         |
|                                 |                  |                          |              | (5 000)        | 857 300         |
|                                 |                  |                          |              |                | 507 900         |
|                                 |                  |                          |              |                | 154 205         |
|                                 |                  |                          |              |                | (13 140)        |
|                                 |                  |                          |              |                | 98 070 567      |
| <b>Infrastructure</b>           |                  |                          |              |                |                 |
| Electricity                     | 26 692 300       | (1 603 344)              | 1 765 644    | -              | 26 694 690      |
| Water supply                    | 8 692 242        | -                        | 512 002      | 2 828 703      | 11 603 913      |
| Sanitation                      | 32 022 070       | 1 603 344                | 270 817      | 3 650 265      | 36 681 244      |
| Solid Waste                     | 29 350 000       | -                        | 441 462      | -              | 29 771 267      |
| Landfill Site                   | 858 250          | 10 980                   | -            | -              | 875 246         |
|                                 | 110 491 370      | -                        | -            | (856 504)      | 860 961         |
|                                 |                  | 2 087 004                | 8 467 814    | (43 989)       | 22 715          |
|                                 |                  |                          |              | (110 490 781)  | (21 266)        |
|                                 |                  |                          |              |                | 10 307 073      |
|                                 |                  |                          |              |                | 4 539 801       |
|                                 |                  |                          |              |                | (26 909)        |
|                                 |                  |                          |              |                | 22 622 621      |
|                                 |                  |                          |              |                | 135 920         |
|                                 |                  |                          |              |                | 860 300         |
|                                 |                  |                          |              | (5 000)        | 857 300         |
|                                 |                  |                          |              |                | 507 900         |
|                                 |                  |                          |              |                | 154 205         |
|                                 |                  |                          |              |                | (13 140)        |
|                                 |                  |                          |              |                | 98 070 567      |
| <b>Accumulated Investments</b>  |                  |                          |              |                |                 |
| Reserves                        | 26 692 300       | (1 603 344)              | 1 765 644    | -              | 26 694 690      |
| Terminators                     | -                | -                        | -            | -              | -               |
| Deposits                        | -                | -                        | -            | -              | -               |
| Opening Balance                 | 26 694 690       | 11 603 913               | 36 681 244   | -              | 4 539 801       |
| Amortisation                    | -                | -                        | -            | -              | -               |
| Written Down                    | -                | -                        | -            | -              | -               |
| Closing Balance                 | -                | -                        | -            | -              | -               |
| <b>Accumulated Depreciation</b> |                  |                          |              |                |                 |
| Reserves                        | 26 692 300       | (1 603 344)              | 1 765 644    | -              | 26 694 690      |
| Terminators                     | -                | -                        | -            | -              | -               |
| Deposits                        | -                | -                        | -            | -              | -               |
| Opening Balance                 | 26 694 690       | 11 603 913               | 36 681 244   | -              | 4 539 801       |
| Amortisation                    | -                | -                        | -            | -              | -               |
| Written Down                    | -                | -                        | -            | -              | -               |
| Closing Balance                 | -                | -                        | -            | -              | -               |
| <b>Carrying Balance</b>         |                  |                          |              |                |                 |
| Reserves                        | 26 692 300       | (1 603 344)              | 1 765 644    | -              | 26 694 690      |
| Terminators                     | -                | -                        | -            | -              | -               |
| Deposits                        | -                | -                        | -            | -              | -               |
| Opening Balance                 | 26 694 690       | 11 603 913               | 36 681 244   | -              | 4 539 801       |
| Amortisation                    | -                | -                        | -            | -              | -               |
| Written Down                    | -                | -                        | -            | -              | -               |
| Closing Balance                 | -                | -                        | -            | -              | -               |
| <b>Carrying Value</b>           |                  |                          |              |                |                 |
| Reserves                        | 26 692 300       | (1 603 344)              | 1 765 644    | -              | 26 694 690      |
| Terminators                     | -                | -                        | -            | -              | -               |
| Deposits                        | -                | -                        | -            | -              | -               |
| Opening Balance                 | 26 694 690       | 11 603 913               | 36 681 244   | -              | 4 539 801       |
| Amortisation                    | -                | -                        | -            | -              | -               |
| Written Down                    | -                | -                        | -            | -              | -               |
| Closing Balance                 | -                | -                        | -            | -              | -               |

| Classification                 | Opening Balance | Reclassification of Error | Additions | Accumulated Investments |           | Retirement  | Charging Balance | Accumulated Drawdowns | Transfers  | Disposal/Retirement | Carrying Balance |
|--------------------------------|-----------------|---------------------------|-----------|-------------------------|-----------|-------------|------------------|-----------------------|------------|---------------------|------------------|
|                                |                 |                           |           | Transfers               | Disposals |             |                  |                       |            |                     |                  |
| Other Assets                   |                 |                           |           |                         |           |             |                  |                       |            |                     |                  |
| Land                           | 3 620 771       | (370 100)                 | -         | -                       | -         | 3 620 671   | 1 407 925        | 011 670               | (46 000)   | 2 270 985           | -                |
| Operational Buildings          | 4 020 849       | (533 002)                 | -         | -                       | -         | 4 020 849   | 4 020 849        | 35 700                | (163 267)  | 202 103             | -                |
| Specialised Vehicles           | 2 485 324       | -                         | 59 865    | -                       | -         | 2 485 324   | 1 930 165        | 100 175               | -          | 320 650             | 320 650          |
| Computer Equipment             | 610 070         | 12 660                    | -         | -                       | -         | 610 070     | 1 029 461        | -                     | -          | 528 554             | 528 554          |
| Furniture and Office Equipment | 1 359 351       | (12 644)                  | 204 704   | -                       | -         | 1 359 351   | {189 020}        | 1 282 167             | -          | 461 370             | 325 612          |
| Machinery and Equipment        | 731 009         | -                         | 108 004   | -                       | -         | 731 009     | {771 754}        | -                     | -          | 72 477              | (360 319)        |
| Transport Assets               | 1 171 005       | -                         | 65 001    | -                       | -         | 1 171 005   | {92 064}         | 724 000               | -          | 62 270              | (140 974)        |
| Leases                         | 14 898 309      | (403 100)                 | 840 700   | -                       | -         | 14 898 309  | 1 807 000        | 46 838                | (46 638)   | 84 226              | 618 541          |
| Fixtures and Office Equipment  | 1 202 474       | -                         | -         | -                       | -         | 1 202 474   | {213 304}        | -                     | -          | 462 520             | 721 100          |
| 255 057                        | -               | -                         | -         | -                       | -         | 255 057     | -                | -                     | -          | 601 000             | (162 053)        |
| 256 057                        | -               | -                         | -         | -                       | -         | 256 057     | -                | -                     | -          | 601 000             | (162 053)        |
| Total                          | 144 598 916     | -                         | 6 861 982 | 6 487 914               | -         | 144 598 916 | {1 804 000}      | 156 114 382           | 2 127 703  | 1 807 703           | (536 001)        |
|                                |                 |                           |           |                         |           |             |                  | 9 530 459             | 20 302 382 | -                   | 5 450 000        |
|                                |                 |                           |           |                         |           |             |                  |                       |            | (651 207)           | 24 970 155       |
|                                |                 |                           |           |                         |           |             |                  |                       |            |                     | 127 054 708      |

| Description of Business | Name of Headline | Description of Error | Opening Balance |                  |                 | Adjustment by Reversal |             |             | Adjustment by Reversal |           |                  | Carrying Value |
|-------------------------|------------------|----------------------|-----------------|------------------|-----------------|------------------------|-------------|-------------|------------------------|-----------|------------------|----------------|
|                         |                  |                      | Accrued Income  | Accrued Expenses | Accrued Payroll | Reversal               | Adjustment  | Disposition | Disposition            | Transfers | Carrying Balance |                |
| Infrastructure          |                  |                      |                 |                  |                 |                        |             |             |                        |           |                  |                |
| Roads                   | 20 151 002       | -                    | 280 594         | 2 232 024        | (4 361 820)     | -                      | 20 632 300  | -           | 3 940 202              | -         | 618 834          | 24 084 505     |
| Enclosed Water Supply   | 7 284 158        | -                    | 5 570 460       | 1 037 487        | (1 213 076)     | -                      | 6 632 262   | -           | 1 510 700              | -         | 1 587 870        | 7 174 372      |
| Sanitation              | 261 520 113      | -                    | 6 000 354       | 0 000 000        | (7 400 000)     | -                      | 32 022 070  | -           | 3 616 763              | -         | 4 270 850        | 25 645 350     |
| Solid Waste             | 27 057 703       | -                    | 0 000 000       | -                | -               | -                      | -           | -           | 2 040 160              | -         | -                | 26 000 000     |
| Landfill Site           | 282 321 1        | -                    | 202 384         | -                | -               | -                      | 685 250     | -           | 225 220                | -         | 722 751          | 277 1041       |
| Community Assets        | 11 757 403       | -                    | -               | -                | -               | -                      | (1 264 000) | -           | 4 205                  | (48 268)  | 4 610            | 231 250        |
| Community Facilities    | 60 051 282       | -                    | 21 302 400      | 3 029 511        | (13 971 370)    | -                      | (1 270 437) | 110 491 378 | 4 265                  | (48 268)  | (45 981)         | 324 036        |
| Halls                   | 5 000 043        | -                    | -               | -                | -               | -                      | -           | -           | 11 657 450             | -         | -                | 8 054 291      |
| Municipal               | 1 157 000        | -                    | 300 326         | -                | -               | -                      | -           | -           | 5 000 000              | -         | -                | 6 722 670      |
| Libraries               | 1 177 450        | -                    | 11 820          | -                | -               | -                      | -           | -           | 205 167                | 32 785    | -                | 209 444        |
| Other Infrastructure    | 51 450           | -                    | -               | 8 377 002        | -               | -                      | -           | -           | 1 337 000              | 60 164    | -                | 6 700 835      |
| Other Facilities        | 7 617 827        | -                    | -               | -                | -               | -                      | 12 172 043  | -           | 1 180 278              | 63 036    | -                | 52 193         |
| Other                   | 15 650 570       | -                    | 492 154         | 5 377 002        | (2 172 043)     | -                      | 10 021 976  | -           | 51 000                 | -         | 65 473           | 1 044 897      |
|                         |                  |                      |                 |                  |                 |                        |             |             | 16 007                 | -         | -                | 51 000         |
|                         |                  |                      |                 |                  |                 |                        |             |             | 7 753                  | -         | -                | 23 050         |
|                         |                  |                      |                 |                  |                 |                        |             |             | 365 514                | 36 785    | -                | 367 000        |
|                         |                  |                      |                 |                  |                 |                        |             |             | 99 000                 | -         | -                | 19 740 223     |

| Category                       | Description | Opening Balance | Cancellation of Error | Correction of Error | Additions  | Amendment and Reimbursement | Disposal/Impairment | Depreciation on Assets | Depreciation on Liabilities | Transfers | Contribution off Error | Operating Balance | Closing Balance | Carrying Value |             |           |
|--------------------------------|-------------|-----------------|-----------------------|---------------------|------------|-----------------------------|---------------------|------------------------|-----------------------------|-----------|------------------------|-------------------|-----------------|----------------|-------------|-----------|
|                                |             |                 |                       |                     |            |                             |                     |                        |                             |           |                        |                   |                 |                |             |           |
| <b>Other Assets</b>            |             |                 |                       |                     |            |                             |                     |                        |                             |           |                        |                   |                 |                |             |           |
| Other Land                     |             | 5 572 349       | -                     | 394 422             | 74 760     | -                           | -                   | 1 659 771              | 1 544 806                   | -         | -                      | 1 544 806         | -               | -              | 2 411 000   |           |
| Operational Buildings          |             | 1 042 046       | -                     | 1 682 871           | 1 420 000  | -                           | -                   | 2 405 824              | 468 087                     | 417 301   | 127 007                | 119 873           | 202 325         | -              | 3 260 264   |           |
| Specialised Vehicles           |             | 1 065 824       | -                     | -                   | 165 838    | -                           | -                   | (23 202)               | 690 070                     | -         | 100 178                | -                 | -               | -              | 825 554     |           |
| Computer Equipment             |             | 426 433         | -                     | -                   | 122 842    | -                           | -                   | (385)                  | 1 285 861                   | -         | -                      | 440 000           | -               | -              | 1 630 055   |           |
| Furniture and Office Equipment |             | 1 218 804       | -                     | -                   | 61 852     | -                           | -                   | -                      | 751 969                     | -         | -                      | 771 347           | -               | -              | 428 004     |           |
| Machinery and Equipment        |             | 670 125         | -                     | -                   | -          | -                           | -                   | -                      | -                           | -         | 40 480                 | 8 111 471         | (362)           | -              | 8 111 471   |           |
| Transport Assets               |             | 1 171 806       | -                     | -                   | -          | -                           | -                   | -                      | -                           | -         | 44 614                 | -                 | -               | -              | 333 011     |           |
| 10 475 891                     | -           | 2 377 263       | -                     | -                   | -          | -                           | -                   | (23 880)               | 14 865 300                  | 40 825    | 49 589                 | 800 007           | -               | -              | 405 020     |           |
| <b>Lessors</b>                 |             |                 |                       |                     |            |                             |                     |                        |                             |           |                        | 2 971 680         | 2 510 822       | 119 873        | 2 975 493   | 620 055   |
| Furniture and Office Equipment |             | 264 018         | -                     | -                   | 131 577    | -                           | -                   | -                      | (140 589)                   | 265 037   | -                      | -                 | 138 824         | -              | -           | 9 440 220 |
| 264 018                        | -           | 131 577         | -                     | -                   | -          | -                           | -                   | (140 589)              | 265 037                     | -         | -                      | 138 824           | -               | -              | 163 707     |           |
| Total                          |             | 125 051 851     |                       | 2 770 457           | 26 577 180 | 3 250 511                   | (18 244 122)        | (1 434 882)            | 144 508 006                 | 2 178 891 | (46 240)               | -                 | 2 127 705       | 15 001 290     | (5 575 705) | (133 814) |
|                                |             |                 |                       |                     |            |                             |                     |                        |                             |           |                        |                   |                 |                | 20 352 382  |           |
|                                |             |                 |                       |                     |            |                             |                     |                        |                             |           |                        |                   |                 |                | 122 088 618 |           |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the 'Registers' office of the Municipality.

The effect of the Change in Accounting estimates due to the review of assets was as follows:

Increases in depreciation on other assets for the year:

|   | 2018   | 2017    | 2016    |
|---|--------|---------|---------|
| R | 33 700 | 116 075 | 100 431 |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|   | 2018<br>R         | 2017<br>R         |
|---|-------------------|-------------------|
| <b>2.3 Expenditure incurred to repair and maintain Property, Plant and Equipment:</b> |                   |                   |
| Other materials   | 611 627           | 603 286           |
| Contracted Services on Maintenance of Unspecified Assets                              | 282 257           | 525 748           |
| Contracted Services on Maintenance of Buildings and Facilities                        | -                 | 180 131           |
| Contracted Services on Maintenance of Equipment                                       | 10 138            | 17 436            |
| <b>Total Repairs and Maintenance</b>  | <b>904 023</b>    | <b>1 308 581</b>  |
| <b>3 INVESTMENT PROPERTY</b>  |                   |                   |
| <b>3.1 Net Carrying amount at 1 July</b>  | <b>13 728 153</b> | <b>13 768 987</b> |
| Cost  | 14 913 086        | 14 913 086        |
| Accumulated Depreciation  | (53 687)          | (12 854)          |
| Accumulated Impairment Loss   | (1 131 245)       | (1 131 245)       |
| Depreciation for the year   | (6 696)           | (40 834)          |
| Impairment loss   | 184 192           | -                 |
| Disposal  | (273 500)         | -                 |
| <b>Net Carrying amount at 30 June</b>   | <b>13 632 149</b> | <b>13 728 153</b> |
| Cost  | 14 639 586        | 14 913 086        |
| Accumulated Depreciation  | (80 383)          | (53 687)          |
| Accumulated Impairment Loss   | (947 053)         | (1 131 245)       |
| <b>3.2 Revenue from Investment Property</b>   |                   |                   |
| Revenue derived from the rental of Investment Property                                | 486 690           | 398 144           |
| <b>4 INTANGIBLE ASSETS</b>  |                   |                   |
| <b>4.1 Net Carrying amount at 1 July</b>  | <b>119 289</b>    | <b>111 318</b>    |
| Cost  | 150 715           | 130 436           |
| Accumulated Amortisation  | (31 426)          | (18 118)          |
| Additions   | 20 770            | 22 753            |
| Amortisation  | (17 275)          | (12 709)          |
| Disposals   | (2 381)           | (2 474)           |
| <b>Net Carrying amount at 30 June</b>   | <b>120 402</b>    | <b>119 289</b>    |
| Cost  | 157 810           | 150 715           |
| Accumulated Amortisation  | (37 208)          | (31 426)          |
| <b>5 OPERATING LEASE ARRANGEMENTS</b>   |                   |                   |
| <b>5.1 The Municipality as Lessee</b>   |                   |                   |
| Operating Lease Asset   | 41 199            | 5 493             |
| <b>Disclosed as follows:</b>  |                   |                   |
| Non-Current Operating Lease Asset   | -                 | -                 |
| Current Operating Lease Asset   | 41 199            | 5 493             |
|   | <b>41 199</b>     | <b>5 493</b>      |
| <b>Reconciliation</b>   |                   |                   |
| Balance at the beginning of the year  | 5 493             | 35 060            |
| Movement during the year  | 35 707            | (29 568)          |
| Balance at the end of the year  | <b>41 199</b>     | <b>5 493</b>      |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|  | 2018<br>R        | 2017<br>R      |
|--|------------------|----------------|
| At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, the lessor will pay operating lease revenue as follows: |                  |                |
| Up to 1 Year   | 170 287          | 207 147        |
| 1 to 5 Years   | 556 614          | 211 890        |
| More than 5 Years  | 453 898          | -              |
| <b>Total Operating Lease Arrangements</b>  | <b>1 180 699</b> | <b>419 037</b> |

The leases are in respect of land and buildings being leased out for variable periods with the final lease ending in March 2027.

**8 INVENTORY**

|                        |                |                |
|------------------------|----------------|----------------|
| Consumables            | 453 852        | 316 215        |
| Lend                   | 219 420        | 219 420        |
| Materials and Supplies | 10 800         | 13 200         |
| Water                  | 31 304         | 26 602         |
| <b>Total Inventory</b> | <b>715 375</b> | <b>574 437</b> |

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

**7 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

|   |                    |                    |
|---|--------------------|--------------------|
| Electricity   | 1 684 095          | 1 407 899          |
| Water   | 3 237 523          | 1 908 018          |
| Property Rentals  | 326 796            | 189 544            |
| Waste Management  | 1 461 542          | 776 074            |
| Waste Water Management  | 1 707 289          | 916 185            |
| Creditors with Debit Balances   | 57 735             | 70 024             |
| Debtors with credit balances  | 411 203            | 481 811            |
| Other Ameans  | 118 897            | 104 173            |
| <b>Total: Receivables from exchange transactions (before provision)</b> | <b>9 005 081</b>   | <b>5 853 708</b>   |
| <b>Less: Provision for Debt Impairment</b>                              | <b>(7 258 568)</b> | <b>(4 071 810)</b> |
| <b>Total: Receivables from exchange transactions (after provision)</b>  | <b>1 746 513</b>   | <b>1 781 898</b>   |

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

*(Electricity): Ageing*

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Current (0 - 30 days) | 556 003          | 523 068          |
| 31 - 60 Days          | 198 182          | 178 390          |
| 61 - 90 Days          | 86 226           | 105 588          |
| + 90 Days             | 843 685          | 800 853          |
| <b>Total</b>          | <b>1 684 095</b> | <b>1 407 899</b> |

*(Water): Ageing*

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Current (0 - 30 days) | 228 718          | 265 370          |
| 31 - 60 Days          | 158 454          | 165 183          |
| 61 - 90 Days          | 181 997          | 164 592          |
| + 90 Days             | 2 668 355        | 1 312 873        |
| <b>Total</b>          | <b>3 237 523</b> | <b>1 908 018</b> |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|   | 2018<br>R        | 2017<br>R        |
|---|------------------|------------------|
| <b><u>(Property Rentals): Ageing</u></b>  |                  |                  |
| Current (0 - 30 days)   | 13 708           | (40 743)         |
| 31 - 60 Days  | 11 788           | 17 428           |
| 61 - 90 Days  | 11 424           | 7 257            |
| + 90 Days   | 289 868          | 205 601          |
| <b>Total</b>  | <b>326 796</b>   | <b>189 544</b>   |
| <b><u>(Waste Management): Ageing</u></b>  |                  |                  |
| Current (0 - 30 days)   | 130 287          | 100 708          |
| 31 - 60 Days  | 118 694          | 91 924           |
| 61 - 90 Days  | 93 949           | 66 544           |
| + 90 Days   | 1 118 612        | 517 897          |
| <b>Total</b>  | <b>1 481 542</b> | <b>778 074</b>   |
| <b><u>(Waste Water Management): Ageing</u></b>  |                  |                  |
| Current (0 - 30 days)   | 90 065           | 18 183           |
| 31 - 60 Days  | 157 470          | 138 240          |
| 61 - 90 Days  | 108 717          | 102 199          |
| + 90 Days   | 1 351 036        | 657 544          |
| <b>Total</b>  | <b>1 707 289</b> | <b>916 165</b>   |
| <b><u>(Other): Ageing</u></b>   |                  |                  |
| Current (0 - 30 days)   | (13 943)         | 26 795           |
| 31 - 60 Days  | 69               | -                |
| 61 - 90 Days  | -                | -                |
| + 90 Days   | 132 772          | 77 378           |
| <b>Total</b>  | <b>118 897</b>   | <b>104 174</b>   |
| <b><u>(Total): Ageing</u></b>   |                  |                  |
| Current (0 - 30 days)   | 1 004 836        | 893 382          |
| 31 - 60 Days  | 844 687          | 591 165          |
| 61 - 90 Days  | 482 313          | 445 181          |
| + 90 Days   | 6 404 326        | 3 372 146        |
| <b>Total</b>  | <b>8 536 143</b> | <b>5 301 874</b> |
| <b><u>Reconciliation of Provision for Debt Impairment</u></b>   |                  |                  |
| Balance at beginning of year  | 4 071 810        | 12 022 993       |
| Contribution to provision   | 3 188 758        | 2 049 755        |
| Reversal of provision   | -                | (10 000 939)     |
| <b>Balance at end of year</b>   | <b>7 258 568</b> | <b>4 071 810</b> |
| <b>The provision for impairment could be allocated between the different classes of receivables as follows:</b> |                  |                  |
| Electricity   | 926 227          | 596 106          |
| Water   | 2 951 231        | 1 648 630        |
| Refuse  | 1 350 610        | 686 664          |
| Sewerage  | 1 622 344        | 859 774          |
| Other   | 408 156          | 280 836          |
| <b>Balance at end of year</b>   | <b>7 258 568</b> | <b>4 071 810</b> |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|   | 2018<br>R        | 2017<br>R        |
|---|------------------|------------------|
| <b>Summary of impairment by customer classification</b> |                  |                  |
| Government  | 27 927           | -                |
| Commercial  | 106 169          | 88 445           |
| Residential   | 6 021 790        | 3 693 059        |
| Other   | 1 102 682        | 290 306          |
| <b>Balance at end of year</b>                           | <b>7 258 568</b> | <b>4 071 810</b> |

The total amount of this provision is R 7 258 568.78 and consist of:

|  |                  |                  |
|--|------------------|------------------|
| Services   | 6 850 412        | 3 791 173        |
| Other Debtors  | 408 156          | 280 636          |
| <b>Total Provision for Debt Impairment on Receivables from exchange transactions</b> |                  |                  |
|  | <b>7 258 568</b> | <b>4 071 810</b> |

**Ageing of amounts past due but not impaired:**

|                    |                  |                  |
|--------------------|------------------|------------------|
| 1 month past due   | 644 667          | 591 165          |
| 2+ months past due | 6 886 639        | 3 817 327        |
| <b>Total</b>       |                  |                  |
|                    | <b>7 531 306</b> | <b>4 408 492</b> |

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

**8 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

|   |                     |                     |
|---|---------------------|---------------------|
| Taxes - Rates   | 1 141 867           | 892 039             |
| Fines   | 26 294 865          | 20 827 098          |
| Other Receivables                                       | 852 068             | 489 566             |
| <b>Total Receivables from non-exchange transactions</b> |                     |                     |
|   | <b>28 288 798</b>   | <b>22 208 701</b>   |
| <b>Less: Provision for Debt Impairment</b>              | <b>(26 853 002)</b> | <b>(20 994 280)</b> |
|   | <b>1 435 797</b>    | <b>1 214 420</b>    |

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

**Reconciliation of Provision for Bad Debts**

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Balance at beginning of year      | 20 994 280        | 10 445 739        |
| Fines Written off during the year | (115)             | 803 694           |
| Contribution to provision         | 5 858 837         | 8 744 847         |
| <b>Balance at end of year</b>     |                   |                   |
|                                   | <b>26 853 002</b> | <b>20 894 280</b> |

**(Rates): Ageing**

|                       |                  |                |
|-----------------------|------------------|----------------|
| Current (0 - 30 days) | (6 046)          | (34 768)       |
| 31 - 60 Days          | 37 322           | 39 241         |
| 61 - 90 Days          | 25 553           | 20 726         |
| + 90 Days             | 1 085 039        | 866 841        |
| <b>Total</b>          |                  |                |
|                       | <b>1 141 867</b> | <b>892 039</b> |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|   | 2018<br>R         | 2017<br>R         |
|---|-------------------|-------------------|
| <b>The total amount of this provision consist of:</b>                                   |                   |                   |
| Taxes   | 1 048 321         | 752 979           |
| Fines   | 25 804 681        | 20 241 301        |
| Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions | <b>28 853 002</b> | <b>20 994 280</b> |
| <b><u>Ageing of amounts past due but not impaired:</u></b>                              |                   |                   |
| 1 month past due  | 37 322            | 39 241            |
| 2+ months past due  | 1 110 582         | 887 566           |
|   | <b>1 147 913</b>  | <b>828 807</b>    |

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

## 8 BANK ACCOUNTS

### 8.1 Cash and Cash Equivalents

|   |                   |                   |
|---|-------------------|-------------------|
| Current Accounts                                | 336 491           | 1 184 833         |
| Call Deposits and Investments                   | 25 074 550        | 26 223 827        |
| Cash On-hand                                    | 3 050             | 2 850             |
| <b>Total Cash and Cash Equivalents - Assets</b> | <b>25 414 091</b> | <b>27 411 509</b> |

### 8.2 Liabilities

|  |          |                  |
|--|----------|------------------|
| Current Accounts                                     | -        | (847 182)        |
| <b>Total Cash and Cash Equivalents - Liabilities</b> | <b>-</b> | <b>(847 182)</b> |

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

A Bank Guarantee is retained for ESKOM by ABSA Bank

9 980

The municipality has the following bank accounts:

#### Current Accounts

|   |                |                  |
|---|----------------|------------------|
| Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account): | 213 490        | (847 182)        |
| Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):      | 123 001        | 983 718          |
| Prince Albert ABSA Bank - Account Number 4086370253 (Smart Meter Account):  | -              | 1 048 298        |
|   | <b>336 491</b> | <b>1 184 833</b> |

#### Call Deposits and Investments

|  |                   |                   |
|--|-------------------|-------------------|
| Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account): | 25 074 550        | 26 223 827        |
|  | <b>25 074 550</b> | <b>26 223 827</b> |

Details of current accounts are as follow:

|   |           |           |
|---|-----------|-----------|
| Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account): | (847 182) | 2 018 485 |
| Cash book balance at beginning of year                                      | 213 490   | (847 182) |
| Cash book balance at end of year  | -         | -         |

|   |         |           |
|---|---------|-----------|
| Bank statement balance at beginning of year | 545 401 | 2 081 479 |
| Bank statement balance at end of year       | 216 477 | 545 401   |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|   | 2018<br>R       | 2017<br>R                   |
|---|-----------------|-----------------------------|
| <i>Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):</i>     |                 |                             |
| Cash book balance at beginning of year  | 983 718         | 382 835                     |
| Cash book balance at end of year  | 123 001         | 983 718                     |
| Bank statement balance at beginning of year                                       | 979 318         | 1 233 489                   |
| Bank statement balance at end of year   | 113 001         | 979 318                     |
|   |                 |                             |
| <i>Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):</i>     |                 |                             |
| Cash book balance at beginning of year  | 28 223 827      | 23 385 721                  |
| Cash book balance at end of year  | 26 074 550      | 28 223 827                  |
| Bank statement balance at beginning of year                                       | 28 223 827      | 23 230 619                  |
| Bank statement balance at end of year   | 25 074 577      | 28 223 827                  |
|   |                 |                             |
| <i>Prince Albert ABSA Bank - Account Number 4066370253 (Smart Meter Account):</i> |                 |                             |
| Cash book balance at beginning of year  | 1 048 296       | 1 048 296                   |
| Cash book balance at end of year  | -               | 1 048 296                   |
| Bank statement balance at beginning of year                                       | 949 681         | 97 316                      |
| Bank statement balance at end of year   | -               | 949 681                     |
|   |                 |                             |
| <b>10 LONG-TERM BORROWINGS</b>  |                 |                             |
| Capitalised Lease Liability - At amortised cost                                   | 65 905          | 135 201                     |
| <i>Less:</i> Current Portion transferred to Current Liabilities                   | 65 905          | 135 201                     |
| Capitalised Lease Liability - At amortised cost                                   | (61 155)        | (69 296)                    |
| <i>Less:</i> Future finance obligations   | (61 155)        | (69 296)                    |
| <b>Total Long-term Borrowings</b>   | <b>4 750</b>    | <b>65 905</b>               |
|   |                 | <b>Minimum<br/>payments</b> |
| Amounts payable under annuity loans:  |                 |                             |
| Payable within one year   | 87 511          | 97 005                      |
| Payable within two to five years  | 72 598          | 165 281                     |
| <i>Less:</i> Future finance obligations   | 160 106         | 252 286                     |
| <b>Present value of annuity loans obligations</b>                                 | <b>(94 201)</b> | <b>(117 086)</b>            |
|   |                 | <b>65 905</b>               |
|   |                 | <b>135 201</b>              |

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. These leases have no significant arrangements.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|  | 2018<br>R         | 2017<br>R         |
|--|-------------------|-------------------|
| <b>11 NON-CURRENT PROVISIONS</b>               |                   |                   |
| Provision for Rehabilitation of Landfill-sites | 19 032 273        | 18 998 008        |
| <b>Total Non-current Provisions</b>            | <b>19 032 273</b> | <b>18 998 008</b> |

|                                | 2018<br>R         | 2017<br>R         |
|--------------------------------|-------------------|-------------------|
| <b>11.1 Landfill Sites</b>     |                   |                   |
| Balance 1 July                 | 18 998 008        | 19 016 813        |
| Contribution for the year      | 34 268            | (18 805)          |
| <b>Total provision 30 June</b> | <b>19 032 273</b> | <b>18 998 008</b> |
| <b>Balance 30 June</b>         | <b>19 032 273</b> | <b>18 998 008</b> |

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

No provision for current portion is made due to fact that no amount were budgeted for rehabilitation. Currently there is no fixed date for rehabilitation of the landfill sites.

|                        | <i>Prince Albert</i> | <i>Leeu Gamka</i>   | <i>Klaarstroom</i> |
|------------------------|----------------------|---------------------|--------------------|
| Area (m <sup>2</sup> ) | 24440m <sup>2</sup>  | 13880m <sup>2</sup> | 5210m <sup>2</sup> |

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimate cost and date of decommission of the sites are as follows:

| Location      | Estimated decommission date | 2018              | 2017              |
|---------------|-----------------------------|-------------------|-------------------|
|               |                             | R                 | R                 |
| Prince Albert | 2021                        | 9 187 899         | 9 298 986         |
| Leeu Gamka    | 2025                        | 6 332 363         | 6 250 900         |
| Klaarstroom   | 2036                        | 3 532 011         | 3 448 122         |
|               |                             | <b>19 032 273</b> | <b>18 998 008</b> |

**12 NON-CURRENT EMPLOYEE BENEFITS**

|  |                  |                  |
|--|------------------|------------------|
| Provision for Post Retirement Health Care Benefits | 5 115 307        | 4 360 868        |
| Provision for Ex-Gratia Pension Benefits           | 41 328           | 38 247           |
| Provision for Long Service Awards                  | 1 147 692        | 1 039 579        |
| <b>Total Non-current Employee Benefits</b>         | <b>6 304 327</b> | <b>5 448 694</b> |

**Post Retirement Health Care Benefits**

|  |                  |                  |
|--|------------------|------------------|
| Balance 1 July   | 4 564 718        | 3 975 687        |
| Contribution for the year  | 837 235          | 187 570          |
| Interest Cost  | 428 869          | 356 148          |
| Expenditure for the year   | (203 850)        | (194 985)        |
| Actuarial Loss/(Gain)  | (263 831)        | 280 098          |
| <b>Total provision 30 June</b>   | <b>5 363 141</b> | <b>4 564 718</b> |
| <b>Less:</b> Transfer of Current Portion to Current Provisions - Note 14 | <b>(247 827)</b> | <b>(203 850)</b> |
| <b>Balance 30 June</b>   | <b>5 115 314</b> | <b>4 360 868</b> |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|  | 2018<br>R        | 2017<br>R        |
|--|------------------|------------------|
| <b><u>Ex-Gratia Pensions</u></b>   |                  |                  |
| Balance 1 July   | 38 895           | 35 421           |
| Interest Cost  | 3 414            | 3 135            |
| Expenditure for the year   | (648)            | (592)            |
| Actuarial Loss/(Gain)  | 443              | 931              |
| <b>Total provision 30 June</b>   | <b>42 104</b>    | <b>38 895</b>    |
| <b>Less:</b> Transfer of Current Portion to Current Provisions - Note 14 | <b>(776)</b>     | <b>(648)</b>     |
| <b>Balance 30 June</b>   | <b>41 328</b>    | <b>38 247</b>    |
| <b><u>Long Service Awards</u></b>  |                  |                  |
| Balance 1 July   | 1 246 392        | 1 194 073        |
| Contribution for the year  | 96 802           | 99 992           |
| Interest Cost  | 95 903           | 98 048           |
| Expenditure for the year   | (180 827)        | (72 536)         |
| Actuarial Loss/(Gain)  | 54 809           | (73 186)         |
| <b>Total provision 30 June</b>   | <b>1 313 079</b> | <b>1 246 392</b> |
| <b>Less:</b> Transfer of Current Portion to Current Provisions - Note 14 | <b>(165 387)</b> | <b>(206 813)</b> |
| <b>Balance 30 June</b>   | <b>1 147 692</b> | <b>1 039 579</b> |

**12.1 Provision for Post Retirement Health Care Benefits**

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

|   | 2018<br>R | 2017<br>R |
|---|-----------|-----------|
| In-service (employee) members                         | 18        | 15        |
| In-service (employee) non-members                     | 34        | 37        |
| Continuation members (e.g. Retirees, widows, orphans) | 7         | 7         |
| <b>Total Members</b>                                  | <b>60</b> | <b>59</b> |

The liability in respect of past service has been estimated to be as follows:

|                        | 2018<br>R        | 2017<br>R        |
|------------------------|------------------|------------------|
| In-service members     | 2 226 212        | 1 733 106        |
| In-service non-members | 618 029          | 505 872          |
| Continuation members   | 2 807 283        | 2 325 739        |
| <b>Total Liability</b> | <b>5 449 524</b> | <b>4 564 718</b> |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

|                        | 2016<br>R        | 2015<br>R        | 2014<br>R        |
|------------------------|------------------|------------------|------------------|
| In-service members     | 2 429 405        | 2 107 493        | 2 058 733        |
| In-service non-members | 529 906          | 480 862          | 328 500          |
| Continuation members   | 1 546 482        | 1 734 575        | 1 876 610        |
| <b>Total Liability</b> | <b>4 505 793</b> | <b>4 302 930</b> | <b>4 063 843</b> |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas  
LA Health  
Key Health, and  
SAMWU Medical Aid

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

| Key actuarial assumptions used: | 2018<br>% | 2017<br>% |
|---------------------------------|-----------|-----------|
| <b>I) Rate of interest</b>      |           |           |
| Discount rate                   | 9.54%     | 9.60%     |
| Health Care Cost Inflation Rate | 7.35%     | 7.89%     |
| Net Effective Discount Rate     | 2.08%     | 1.59%     |

**II) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**III) Normal retirement age**

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

**The amounts recognised in the Statement of Financial Position are as follows:**

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Present value of fund obligations | 5 363 141        | 4 564 718        |
| <b>Net liability</b>              | <b>5 363 141</b> | <b>4 564 718</b> |

**Reconciliation of present value of fund obligation:**

|   |                  |                  |
|---|------------------|------------------|
| Present value of fund obligation at the beginning of the year | 4 564 718        | 3 975 887        |
| Total expenses  | 1 062 254        | 328 733          |
| Current service cost  | 837 235          | 167 670          |
| Interest Cost   | 426 869          | 356 148          |
| Benefits Paid   | (203 850)        | (194 965)        |
| Actuarial (gains)/losses                                      | (263 831)        | 280 098          |
| Present value of fund obligation at the end of the year       | <b>5 363 141</b> | <b>4 564 718</b> |

**Sensitivity Analysis on the Accrued Liability on 30 June 2018**

| Assumption          |  | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) |
|---------------------|--|-----------------------------------|-------------------------------------|----------------------|
| Central Assumptions |  | 2 842                             | 2 607                               | 5 449                |

The effect of movements in the assumptions are as follows:

| Assumption                | Change  | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) | % change |
|---------------------------|---------|-----------------------------------|-------------------------------------|----------------------|----------|
| Health care Inflation     | 1%      | 3 476                             | 2 860                               | 6 336                | 16.28%   |
| Health care Inflation     | -1%     | 2 344                             | 2 390                               | 4 734                | -13.12%  |
| Discount rate             | 1%      | 2 357                             | 2 398                               | 4 753                | -12.77%  |
| Discount rate             | -1%     | 3 468                             | 2 857                               | 6 325                | 16.08%   |
| Post-retirement mortality | -1 year | 2 932                             | 2 709                               | 5 641                | 3.52%    |
| Average retirement age    | -1 year | 3 100                             | 2 607                               | 5 707                | 4.73%    |
| Withdrawal Rate           | -50%    | 2 305                             | 2 607                               | 4 912                | -9.88%   |

**Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2018**

| Assumption          |  | Current Service Cost (R) | Interest Cost (R) | Total (R) |
|---------------------|--|--------------------------|-------------------|-----------|
| Central Assumptions |  | 191 600                  | 508 500           | 700 100   |

The effect of movements in the assumptions are as follows:

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

| <b>Assumption</b>         | <b>Change</b> | <b>Current</b>          | <b>Interest Cost (R)</b> | <b>Total (R)</b> | <b>% change</b> |
|---------------------------|---------------|-------------------------|--------------------------|------------------|-----------------|
|                           |               | <b>Service Cost (R)</b> |                          |                  |                 |
| Health care Inflation     | 1%            | 241 400                 | 593 100                  | 834 500          | 18%             |
| Health care Inflation     | -1%           | 153 400                 | 440 300                  | 593 700          | -15%            |
| Discount rate             | 1%            | 155 700                 | 488 400                  | 644 100          | -8%             |
| Discount rate             | -1%           | 238 700                 | 530 000                  | 768 700          | 10%             |
| Post-retirement mortality | -1 year       | 197 600                 | 528 800                  | 724 400          | 3%              |
| Average retirement age    | -1 year       | 206 300                 | 533 200                  | 739 500          | 6%              |
| Withdrawal Rate           | -50%          | 148 800                 | 457 300                  | 606 100          | -13%            |

**12.2 Provision for Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>R</b>    | <b>R</b>    |
|  | <b>53</b>   | <b>47</b>   |

Key actuarial assumptions used:

**I) Rate of interest**

|  |       |       |
|--|-------|-------|
| Discount rate  | 8.57% | 8.38% |
| General Salary Inflation (long-term)                                       | 6.18% | 6.20% |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 2.25% | 2.05% |

The amounts recognised in the Statement of Financial Position are as follows:

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Present value of fund obligations | <b>1 313 079</b> | <b>1 246 392</b> |
|                                   | <b>1 313 079</b> | <b>1 246 392</b> |
|                                   | <b>1 313 079</b> | <b>1 246 392</b> |

**Net liability**

Reconciliation of present value of fund obligation:

|   |                  |                  |
|---|------------------|------------------|
| Present value of fund obligation at the beginning of the year | 1 246 392        | 1 194 073        |
| Total expenses  | 11 878           | 125 505          |
| Current service cost  | 96 802           | 99 992           |
| Interest Cost   | 95 903           | 98 048           |
| Benefits Paid   | (180 827)        | (72 536)         |
| Actuarial (gains)/losses                                      | 54 809           | (73 186)         |
| Present value of fund obligation at the end of the year       | <b>1 313 079</b> | <b>1 246 392</b> |

**Sensitivity Analysis on the Accrued Liability on 30 June 2018**

| <b>Assumption</b>        | <b>Change</b> | <b>Liability (Rm)</b> | <b>% change</b> |
|--------------------------|---------------|-----------------------|-----------------|
|                          |               |                       |                 |
| Central assumptions      |               | 1.313                 |                 |
| General salary inflation | 1%            | 1.399                 | 7%              |
| General salary inflation | -1%           | 1.235                 | -6%             |
| Discount rate            | 1%            | 1.232                 | -8%             |
| Discount rate            | -1%           | 1.404                 | 7%              |
| Average retirement age   | -2 yrs        | 1.174                 | -11%            |
| Average retirement age   | 2 yrs         | 1.616                 | 15%             |
| Withdrawal rates         | -50%          | 1.556                 | 19%             |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

| Assumption          | Current Service Cost (R) | Interest Cost (R) | Total (R) |
|---------------------|--------------------------|-------------------|-----------|
| Central Assumptions | 111 400                  | 105 600           | 217 000   |

The effect of movements in the assumptions are as follows:

| Assumption                | Change  | Current Service Cost (R) | Interest Cost (R) | Total (R) | % change |
|---------------------------|---------|--------------------------|-------------------|-----------|----------|
| Health care inflation     | 1%      | 120 900                  | 113 000           | 233 900   | 8%       |
| Health care inflation     | -1%     | 102 900                  | 98 900            | 201 800   | -7%      |
| Discount rate             | 1%      | 103 800                  | 110 200           | 213 800   | -1%      |
| Discount rate             | -1%     | 120 200                  | 100 200           | 220 400   | 2%       |
| Post-retirement mortality | -1 year | 98 500                   | 93 700            | 192 200   | -11%     |
| Average retirement age    | -1 year | 123 400                  | 123 000           | 246 400   | 14%      |
| Withdrawal Rate           | -50%    | 144 200                  | 126 500           | 270 700   | 25%      |
|                           |         |                          |                   | 2018 Rm   | 2017 Rm  |

**12.3 Ex Gratia Payments**

The Ex Gratia plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

| Key actuarial assumptions used:   | 2018 % | 2017 % |
|---|--------|--------|
| I) Rate of Interest   |        |        |
| Discount rate   | 8.92%  | 8.85%  |
|   | 2018 R | 2017 R |
| The amounts recognised in the Statement of Financial Position are as follows: |        |        |
| Present value of fund obligations   | 42 104 | 38 895 |
|   | 42 104 | 38 895 |
| Net liability   | 42 104 | 38 895 |

Reconciliation of present value of fund obligation:

|   |        |        |
|---|--------|--------|
| Present value of fund obligation at the beginning of the year | 38 895 | 35 421 |
| Total expenses  | 2 788  | 2 543  |
| Interest Cost   | 3 414  | 3 135  |
| Benefits Paid   | (648)  | (592)  |
| Actuarial losses  | 443    | 931    |
| Present value of fund obligation at the end of the year       | 42 104 | 38 895 |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Sensitivity Analysis on the Accrued Liability on 30 June 2018**

|                        | Change | Liability (Rm) | % change |
|------------------------|--------|----------------|----------|
| <b>Assumption</b>      |        |                |          |
| Central assumptions    |        | 42 104         |          |
| Discount rate          | 1%     | 40 949         | -3%      |
| Discount rate          | -1%    | 43 343         | 3%       |
| Average retirement age | -1 yrs | 45 662         | 8%       |

**Sensitivity Analysis on Interest Cost for the year ending 30 June 2018**

|                        | Change  | Interest Cost (R) | Total (R) | % change |
|------------------------|---------|-------------------|-----------|----------|
| <b>Assumption</b>      |         |                   |           |          |
| Central Assumptions    |         | 3.724             | 3.724     |          |
| Discount rate          | 1%      | 4.027             | 4.027     | 8%       |
| Discount rate          | -1%     | 3.404             | 3.404     | -9%      |
| Average retirement age | -1 year | 3.298             | 3.298     | -11%     |

**12.4 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

|   | 2018<br>R | 2017<br>R |
|---|-----------|-----------|
| <b><u>CAPE JOINT PENSION FUND</u></b>   |           |           |
| The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in an sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%). |           |           |
| Contributions paid recognised in the Statement of Financial Performance   |           |           |
|   | 1 582 926 | 1 334 000 |
| <b><u>CAPE JOINT RETIREMENT FUND</u></b>  |           |           |
| The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 118% (30 June 2014 - 101.7%).   |           |           |

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|                                |  | 2018           | 2017           |
|--------------------------------|--|----------------|----------------|
|                                |  | H              | R              |
| <b>13 CONSUMER DEPOSITS</b>    |  |                |                |
| Electricity                    |  | 265 857        | 257 003        |
| Rental Properties              |  | 7 488          | 7 488          |
| Water                          |  | 184 316        | 168 464        |
| <b>Total Consumer Deposits</b> |  | <b>447 761</b> | <b>432 955</b> |

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

**14 CURRENT EMPLOYEE BENEFITS**

|   |  |                  |                  |
|---|--|------------------|------------------|
| Performance Bonuses                                       |  | 585 926          | 456 247          |
| Staff Bonuses   |  | 1 144 306        | 879 312          |
| Staff Leave   |  | 413 990          | 411 311          |
| Current Portion of Non-Current Provisions                 |  |                  |                  |
| Current Portion of Post Retirement Benefits - Note 12     |  | 247 827          | 203 850          |
| Current Portion of Ex-Gratia Pension Provisions - Note 12 |  | 778              | 648              |
| Current Portion of Long-Service Provisions - Note 12      |  | 165 387          | 206 813          |
| <b>Total Provisions</b>                                   |  | <b>2 144 222</b> | <b>1 746 871</b> |

**14.1 Staff Bonuses**

|                                 |  |                |                |
|---------------------------------|--|----------------|----------------|
| Balance at beginning of year    |  | 456 247        | 433 085        |
| Contribution to current portion |  | 999 100        | 750 927        |
| Expenditure incurred            |  | (869 422)      | (727 775)      |
| Balance at end of year          |  | <b>585 926</b> | <b>456 247</b> |

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**14.2 Staff Leave**

|                                 |  |                  |                |
|---------------------------------|--|------------------|----------------|
| Balance at beginning of year    |  | 879 312          | 987 123        |
| Contribution to current portion |  | 398 859          | 192 098        |
| Expenditure incurred            |  | (133 868)        | (279 909)      |
| Balance at end of year          |  | <b>1 144 306</b> | <b>879 312</b> |

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**15 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

|                              |  |                  |                  |
|------------------------------|--|------------------|------------------|
| Trade Payables               |  | 2 520 543        | 4 077 362        |
| Retentions                   |  |                  | 588 144          |
| Housing Subsidy              |  | 2                | 2 864 861        |
| Other Payables               |  | 22 268           | 15 692           |
| Debtors with credit balances |  | 411 203          | 481 811          |
| <b>Total Trade Payables</b>  |  | <b>2 984 018</b> | <b>8 027 860</b> |

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|   |  | 2018<br>R         | 2017<br>R        |
|---|--|-------------------|------------------|
| <b>16 UNSPENT TRANSFERS AND SUBSIDIES</b>   |  |                   |                  |
| Unspent Transfers and Subsidies   |  | 2 318 472         | 1 782 160        |
| National Government Grants  |  | -                 | 731 470          |
| Provincial Government Grants  |  | 2 318 472         | 1 050 690        |
| <b>Less: Unpaid Transfers and Subsidies</b>   |  | (1 895 217)       | -                |
| National Government Grants  |  | (1 895 217)       | -                |
| <b>Total Unspent Transfers and Subsidies</b>  |  | <u>423 255</u>    | <u>1 782 160</u> |
| <p>See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.</p> |  |                   |                  |
| <p>Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.</p>   |  |                   |                  |
| <b>17 VALUE ADDED TAX</b>   |  |                   |                  |
| <b>17.1 VAT Payable</b>   |  |                   |                  |
| VAT Output in Suspense  |  | (532 864)         | (190 230)        |
| <b>Total VAT Payable</b>  |  | <u>(532 864)</u>  | <u>(190 230)</u> |
| <b>17.2 VAT Receivable</b>  |  |                   |                  |
| VAT Input in Suspense   |  | 636 722           | 586 988          |
| <b>Total VAT Receivable</b>   |  | <u>3 562 873</u>  | <u>2 749 477</u> |
| <b>17.3 Net VAT Receivable</b>  |  | <u>4 199 596</u>  | <u>3 318 475</u> |
| <p>VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.</p>   |  |                   |                  |
| <b>18 SHORT-TERM BORROWINGS</b>   |  |                   |                  |
| <p>The Municipality has no short term borrowings.</p>   |  |                   |                  |
| <b>19 NET ASSET RESERVES</b>  |  |                   |                  |
| <b>RESERVES</b>   |  |                   |                  |
| Opening Balance   |  | 13 180 543        | 1 211 687        |
| Contribution to Capital Replacement Reserve   |  | 1 211 687         | 1 469 180        |
| Sale of Assets  |  | 11 500 000        | (257 473)        |
| <b>Total Net Asset Reserve and Liabilities</b>  |  | <u>448 856</u>    | -                |
|   |  | <u>13 180 543</u> | <u>1 211 687</u> |
| <p>The Capital Replacement Reserve is used to finance future capital expenditure from own funds.</p>  |  |                   |                  |
| <b>20 PROPERTY RATES</b>  |  |                   |                  |
| <b>Actual</b>   |  |                   |                  |
| Rateable Land and Buildings   |  | 3 765 799         | 3 425 808        |
| Residential Properties  |  | 3 765 799         | 3 425 808        |
| <b>Less: Revenue Forgone</b>  |  | (599 852)         | (562 317)        |
| <b>Total Property Rates</b>   |  | <u>3 165 946</u>  | <u>2 873 491</u> |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|  | 2018<br>R            | 2017<br>R            |
|--|----------------------|----------------------|
| <b><u>Valuations - 1 July 2017</u></b> |                      |                      |
| <b>Rateable Land and Buildings</b>     |                      |                      |
| Prince Albert: Land and Buildings      | 1 982 008 000        | 1 352 765 400        |
| Leau-Gemka: Land and Buildings         | 841 674 000          | 617 367 700          |
| Klaarstroom: Land and Buildings        | 32 848 000           | 25 345 200           |
| Welgermoed: Land and Buildings         | 15 849 000           | 10 589 900           |
| Rural: Land and Buildings              | 9 137 000            | 8 811 500            |
|  | 1 062 500 000        | 690 651 100          |
| <b>Total Assessment Rates</b>          | <b>1 982 008 000</b> | <b>1 352 765 400</b> |

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

| <b>Basic Rate</b>   | c/R     | c/R     |
|---|---------|---------|
| Standard property rates excluding agriculture and vacant land | 0.33000 | 0.42400 |
| Agricultural  | 0.08300 | 0.10200 |
| Vacant Land   | 0.41900 | 0.56100 |

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**21 GOVERNMENT GRANTS AND SUBSIDIES**

|   |                   |                   |
|---|-------------------|-------------------|
| <b>Government Grants and Subsidies - Operating</b>  | <b>23 890 867</b> | <b>23 428 763</b> |
| Equitable Share                                     | 17 652 000        | 16 192 000        |
| Expanded Public Works Programme Integrated Grant    | 1 000 000         | 1 000 000         |
| Local Government Financial Management Grant         | 1 700 000         | 1 625 000         |
| Municipal Infrastructure Grant (PMU)                | 380 450           | 349 705           |
| Libraries, Archives and Museums                     | 1 505 000         | 1 427 000         |
| Capacity Building                                   | 120 000           | -                 |
| Internship recruitment - WC                         | 8 528             | -                 |
| Western Cape Financial Management Grant             | 970 984           | -                 |
| <i>mSCOA Grant</i>                                  | 330 000           | 220 000           |
| <i>Community Development Workers</i>                | 74 000            | 75 000            |
| Financial Management - Provincial                   | -                 | 2 508 831         |
| <i>SETA</i>   | 24 907            | 29 227            |
| Central Karoo District Municipality - mSCOA Grant   | 125 000           | -                 |
| <b>Government Grants and Subsidies - Capital</b>    | <b>10 725 765</b> | <b>14 689 546</b> |
| Integrated National Electrification Programme Grant | 2 895 217         | 1 000 000         |
| Municipal Infrastructure Grant                      | 7 228 550         | 8 812 588         |
| Additional WC Drought relief for Boreholes          | 161 992           | -                 |
| Accelerated housing                                 | -                 | 4 747 647         |
| <i>Drought Relief Grant - Western Cape</i>          | 440 026           | 129 310           |
| <b>Total Government Grants and Subsidies</b>        | <b>34 616 653</b> | <b>38 118 309</b> |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|   | 2018<br>R           | 2017<br>R           |
|---|---------------------|---------------------|
| <b>21.1 <u>Equitable Share</u></b>  |                     |                     |
| Grants received   | 17 652 000          | 16 192 000          |
| Conditions met - Operating  | <u>(17 652 000)</u> | <u>(16 192 000)</u> |
| Conditions still to be met  | -                   | -                   |
| The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.  |                     |                     |
| <b>21.2 <u>Local Government Financial Management Grant (FMG)</u></b>  |                     |                     |
| Grants received   | 1 700 000           | 1 625 000           |
| Conditions met - Operating  | <u>(1 700 000)</u>  | <u>(1 625 000)</u>  |
| Conditions still to be met  | -                   | -                   |
| The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). |                     |                     |
| <b>21.3 <u>Municipal Infrastructure Grant (MIG)</u></b>   |                     |                     |
| Opening balance   | 731 469             | 2 681 782           |
| Grants received   | 7 609 000           | 7 212 000           |
| Repaid to National Revenue Fund   | <u>(731 469)</u>    | -                   |
| Conditions met - Operating  | <u>(380 450)</u>    | <u>(349 705)</u>    |
| Conditions met - Capital  | <u>(7 228 550)</u>  | <u>(8 812 588)</u>  |
| Conditions still to be met  | -                   | 731 469             |
| The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.  |                     |                     |
| <b>21.4 <u>Integrated National Electrification Grant</u></b>  |                     |                     |
| Grants received   | 1 000 000           | 1 000 000           |
| Conditions met - Capital  | <u>(2 895 217)</u>  | <u>(1 000 000)</u>  |
| Conditions met  | <u>(1 895 217)</u>  | -                   |
| The National Electrification Grant was used for electrical connections in previously disadvantaged areas.   |                     |                     |
| <b>21.5 <u>Housing Grant</u></b>  |                     |                     |
| Opening balance   | -                   | 4 747 647           |
| Conditions met - Capital  | -                   | <u>(4 747 647)</u>  |
| Conditions still to be met  | -                   | -                   |
| The Housing grant was utilised for the development of erven and the erection of top structures.   |                     |                     |
| <b>21.6 <u>Library Grant</u></b>  |                     |                     |
| Grants received   | 1 505 000           | 1 427 000           |
| Conditions met - Operating  | <u>(1 505 000)</u>  | <u>(1 427 000)</u>  |
| Conditions still to be met  | -                   | -                   |
| The library grant was utilised to maintain the library function of the municipality.  |                     |                     |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|   | 2018<br>R               | 2017<br>R                |
|---|-------------------------|--------------------------|
| <b>21.7 <u>Other Grants</u></b>   |                         |                          |
| Opening balance   | 1 050 691               | 3 008 832                |
| Correction of Error   | -                       | 120 000                  |
| Grants received   | 8 479 418               | 1 884 226                |
| Interest received   | -                       | -                        |
| Repaid to National Revenue Fund   | (370 690)               | -                        |
| Conditions met - Operating  | (6 238 828)             | (3 833 058)              |
| Conditions met - Capital  | (602 018)               | (129 310)                |
| Conditions still to be met  | <u>2 318 473</u>        | <u>1 050 691</u>         |
| Various grants from National and Provincial Treasury. Refer to Appendix E for more information. |                         |                          |
| <b>21.8 <u>Total Grants</u></b>   |                         |                          |
| Opening balance   | 1 782 180               | 10 438 241               |
| Correction of Error   | -                       | 120 000                  |
| Grants received   | 37 945 418              | 29 340 226               |
| Repaid to National Revenue Fund   | (1 102 159)             | -                        |
| Conditions met - Operating  | (27 476 378)            | (23 428 763)             |
| Conditions met - Capital  | (10 725 785)            | (14 688 645)             |
| Conditions still to be met/(Grant expenditure to be recovered)                                  | <u>423 255</u>          | <u>1 782 180</u>         |
| <u>Disclosed as follows:</u>  |                         |                          |
| Unspent Conditional Government Grants and Receipts  | 2 318 472               | 1 782 180                |
| Unpaid Conditional Government Grants and Receipts   | (1 895 217)             | -                        |
| <b>Total</b>  | <b><u>423 255</u></b>   | <b><u>1 782 180</u></b>  |
| <b>22 PUBLIC CONTRIBUTIONS AND DONATIONS</b>  |                         |                          |
| Public Contributions - Conditional  | 2 538 473               | 1 400 000                |
| Donations   | 5 000                   | -                        |
| <b>Total Public Contributions and Donations</b>   | <b><u>2 543 473</u></b> | <b><u>1 400 000</u></b>  |
| <b>23 FINES, PENALTIES AND FORFEITS</b>   |                         |                          |
| Traffic fines   | 6 502 440               | 11 912 450               |
| Other fines   | 9 656                   | 12 280                   |
| <b>Total Fines</b>  | <b><u>6 512 096</u></b> | <b><u>11 924 710</u></b> |
| <i>Additional information to enable better understandings by user</i>                           |                         |                          |
| Provision for debt impairment   | (5 563 380)             | (9 401 426)              |
| <i>Recoverable fines</i>  | <u>948 718</u>          | <u>2 523 284</u>         |
| <b>24 LICENCES AND PERMITS</b>  |                         |                          |
| Road and Transport  | 261 966                 | 262 666                  |
| <b>Total Licences and Permits</b>   | <b><u>261 966</u></b>   | <b><u>262 666</u></b>    |
| <u>Disclosed as follows:</u>  |                         |                          |
| Revenue from Exchange Transactions  | 261 966                 | 262 666                  |
| <b>Total Licences and Permits</b>   | <b><u>261 966</u></b>   | <b><u>262 666</u></b>    |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|   |  | 2018<br>R         | 2017<br>R         |
|---|--|-------------------|-------------------|
| <b>26 SERVICE CHARGES</b>   |  |                   |                   |
| Electricity   |  | 13 441 081        | 13 268 171        |
| Service Charges   |  | 13 872 273        | 13 730 911        |
| <u>Less:</u> Revenue Forgone  |  | (531 212)         | (462 739)         |
| Water   |  | 3 318 827         | 3 628 300         |
| Service Charges   |  | 4 407 322         | 4 687 493         |
| <u>Less:</u> Revenue Forgone  |  | (1 088 485)       | (1 039 192)       |
| Waste Management  |  | 1 537 441         | 1 489 860         |
| Service Charges   |  | 2 182 184         | 2 040 465         |
| <u>Less:</u> Revenue Forgone  |  | (644 744)         | (570 805)         |
| Waste Water Management  |  | 2 905 830         | 2 654 115         |
| Service Charges   |  | 3 854 073         | 3 487 318         |
| <u>Less:</u> Revenue Forgone  |  | (1 048 243)       | (933 203)         |
| <b>Total Service Charges</b>  |  | <b>21 203 159</b> | <b>20 920 447</b> |
| Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission. |  |                   |                   |
| <b>26 RENDERING OF SERVICES</b>   |  |                   |                   |
| Building Plan Approval  |  | 83 797            | 94 860            |
| Cemetery and Burial   |  | 14 244            | 10 496            |
| Swimming pool Entrance Fees   |  | 40 688            | -                 |
| Fire Services   |  | 51 667            | 23 536            |
| Photocopies and Faxes   |  | 2 671             | 981               |
| Tender documents  |  | 8 404             | 1 316             |
| Stone and Gravel  |  | 702               | 140               |
| Town Planning and Servitudes  |  | 44 191            | 96 706            |
| Valuation Services  |  | 21 805            | 16 579            |
| <b>Total Sales of Goods and Rendering of Services</b>   |  | <b>266 166</b>    | <b>244 613</b>    |
| <b>27 RENTAL FROM FIXED ASSETS</b>  |  |                   |                   |
| Property, Plant and Equipment   |  | 486 690           | 398 144           |
| <b>Total Rental from Fixed Assets</b>   |  | <b>486 690</b>    | <b>398 144</b>    |
| <b>28 INTEREST EARNED - EXTERNAL INVESTMENTS</b>  |  |                   |                   |
| Bank  |  | 2 588 273         | 2 282 808         |
| <b>Total Interest Earned - External Investments</b>   |  | <b>2 588 273</b>  | <b>2 282 808</b>  |
| <b>29 INTEREST EARNED - EXCHANGE TRANSACTIONS</b>   |  |                   |                   |
| Trade Receivables   |  | 573 253           | 510 251           |
| <b>Total Interest Earned - Outstanding Receivables</b>  |  | <b>573 253</b>    | <b>510 251</b>    |
| <b>30 OPERATIONAL REVENUE</b>   |  |                   |                   |
| Administrative Handling Fees  |  | 15 831            | 83 489            |
| Commission  |  | 5 155             | 500               |
| Insurance Refund  |  | 274 367           | 8 003             |
| Request for Information   |  | -                 | 1 694             |
| <b>Total Operational Revenue</b>  |  | <b>285 353</b>    | <b>93 688</b>     |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|                                     | 2018<br>R         | 2017<br>R         |
|-------------------------------------|-------------------|-------------------|
| <b>31 EMPLOYEE RELATED COSTS</b>    |                   |                   |
| Basic Salaries and Wages            | 13 426 537        | 10 509 999        |
| Pension and UIF Contributions       | 1 582 925         | 1 334 000         |
| Medical Aid Contributions           | 623 767           | 422 533           |
| Overtime                            | 633 670           | 597 722           |
| Bonuses                             | 999 100           | 750 927           |
| Motor Vehicle Allowance             | 400 984           | 281 906           |
| Cell Phone Allowance                | 75 900            | 59 805            |
| Housing Allowances                  | 114 558           | 108 256           |
| Other benefits and allowances       | 689 097           | 592 509           |
| Payments in lieu of leave           | 398 858           | 192 098           |
| Post-retirement Benefit Obligations | 1 492 295         | 724 892           |
| <b>Total Employee Related Costs</b> | <b>20 337 691</b> | <b>15 572 647</b> |

**KEY MANAGEMENT PERSONNEL**

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

*Remuneration of the Municipal Manager*

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| Annual remuneration           | 913 901          | 901 551          |
| Car allowance                 | 148 600          | 104 640          |
| Housing allowance             | 18 000           | 18 000           |
| Cell phone allowance          | 18 000           | 18 000           |
| Contributions to medical fund | 40 923           | 37 782           |
| <b>Total</b>                  | <b>1 139 424</b> | <b>1 079 973</b> |

*Remuneration of the Chief Financial Officer*

|  |                |                |
|--|----------------|----------------|
| Annual remuneration                        | 671 716        | 671 007        |
| Car allowance                              | 96 000         | 96 000         |
| Cell phone allowance                       | 12 000         | 12 000         |
| Contributions to medical and pension funds | 147 932        | 149 769        |
| <b>Total</b>                               | <b>927 648</b> | <b>928 776</b> |

*Remuneration of Director : Corporate Services*

|  |                |                |
|--|----------------|----------------|
| Annual remuneration                        | 580 557        | 374 377        |
| Car allowance                              | 25 416         | 25 416         |
| Cell phone allowance                       | 12 000         | 12 000         |
| Contributions to medical and pension funds | 104 600        | 67 388         |
| <b>Total</b>                               | <b>722 473</b> | <b>479 162</b> |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|  | 2018<br>R        | 2017<br>R        |
|--|------------------|------------------|
| <b>32 REMUNERATION OF COUNCILLORS</b>      |                  |                  |
| Mayor                                      | 591 638          | 543 412          |
| Deputy Mayor                               | 284 768          | 231 345          |
| Speaker                                    | 473 784          | 425 928          |
| Councillors                                | 753 784          | 696 693          |
| Car Allowance                              | 533 400          | 527 750          |
| Cell phone Allowance                       | 285 600          | 178 245          |
| Contributions to medical and pension funds | -                | 23 294           |
| Data cards                                 | 25 200           | -                |
| <b>Total Councillors' Remuneration</b>     | <b>2 928 175</b> | <b>2 626 667</b> |

Remuneration paid to Councillors can be summarised as follow:

|  | Salary           | Travel<br>Allowance | Other<br>Allowances | Contributions | Total            |
|--|------------------|---------------------|---------------------|---------------|------------------|
| Executive Mayor                        | 591 638          | 153 600             | 44 400              | -             | 789 638          |
| Executive Deputy-Mayor / Deputy-Mayor  | 284 768          | 67 800              | 44 400              | -             | 376 968          |
| Speaker                                | 473 784          | 122 400             | 44 400              | -             | 640 584          |
| Councillors                            | 753 784          | 189 600             | 177 600             | -             | 1 120 984        |
| <b>Total Councillors' Remuneration</b> | <b>2 083 975</b> | <b>533 400</b>      | <b>310 800</b>      | <b>-</b>      | <b>2 928 175</b> |

*In-kind Benefits*

The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.

**33 CONTRIBUTION TO IMPAIRMENT LOSS ON RECEIVABLES**

|   |                  |                   |
|---|------------------|-------------------|
| Trade Receivables from exchange transactions - Note 7     | 2 798 777        | 1 836 809         |
| Trade Receivables from non-exchange transactions - Note 8 | 5 858 837        | 9 744 847         |
| <b>Total Contribution to Impairment Provision</b>         | <b>8 657 614</b> | <b>11 581 655</b> |

*Additional Information to enable better understanding by user.*

Trade Receivables from exchange transactions

|             |                  |                  |
|-------------|------------------|------------------|
| Electricity | 289 933          | (44 306)         |
| Water       | 1 144 024        | 1 082 430        |
| Refuse      | 583 118          | 285 245          |
| Sewerage    | 685 735          | 497 308          |
| Other       | 111 966          | 18 132           |
|             | <b>2 798 777</b> | <b>1 836 809</b> |

Trade Receivables from non-exchange transactions

|               |                  |                  |
|---------------|------------------|------------------|
| Rates         | 295 457          | 343 421          |
| Traffic Fines | 5 563 380        | 9 401 426        |
|               | <b>5 858 837</b> | <b>9 744 847</b> |

**34 CONTRACTED SERVICES**

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Outsourced Services                   | 541 990          | 1 080 411        |
| Consultants and Professional Services | 4 238 438        | 4 028 324        |
| Contractors                           | 2 369 723        | 2 491 554        |
| <b>Total Contracted Services</b>      | <b>7 150 151</b> | <b>7 608 289</b> |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|  |                                      | 2018<br>R        | 2017<br>R        |
|--|--------------------------------------|------------------|------------------|
| <b>35</b>  | <b>DEPRECIATION AND AMORTISATION</b> |                  |                  |
| Property, Plant and Equipment                    |                                      | 5 439 090        | 5 328 092        |
| Intangible Assets                                |                                      | 17 275           | 12 709           |
| Investment Property carried at cost              |                                      | 8 696            | 40 834           |
| <b>Total Depreciation and Amortisation</b>       |                                      | <b>5 463 061</b> | <b>5 381 635</b> |
| <b>36</b>  | <b>FINANCE COSTS</b>                 |                  |                  |
| Long-term Borrowings                             |                                      | 18 216           | 26 846           |
| Non-current Provisions                           |                                      | 1 139 680        | 1 236 093        |
| Interest on outstanding VAT payment              |                                      | -                | 31 136           |
| <b>Total Finance Costs</b>                       |                                      | <b>1 158 097</b> | <b>1 294 075</b> |
| <b>37</b>  | <b>BULK PURCHASES</b>                |                  |                  |
| Electricity                                      |                                      | 9 522 208        | 9 729 734        |
| <b>Total Bulk Purchases</b>                      |                                      | <b>9 522 208</b> | <b>9 729 734</b> |
| <b>38</b>  | <b>INVENTORY CONSUMED</b>            |                  |                  |
| Materials and Supplies                           |                                      | 647 971          | 599 495          |
| Consumables at Standard Rated                    |                                      | 530 399          | 438 416          |
|  |                                      | <b>1 178 371</b> | <b>1 037 911</b> |
| <b>39</b>  | <b>TRANSFERS AND SUBSIDIES</b>       |                  |                  |
| Operational                                      |                                      | 380 000          | 115 000          |
| Monetary Allocations                             |                                      | 380 000          | 115 000          |
| Bursaries  |                                      | 120 000          | -                |
| Non-profit Institutions                          |                                      | 260 000          | 115 000          |
| <b>Total Transfers and Subsidies</b>             |                                      | <b>380 000</b>   | <b>115 000</b>   |
| <b>40</b>  | <b>OPERATIONAL COSTS</b>             |                  |                  |
| Advertising, Publicity and Marketing             |                                      | 86 301           | 118 373          |
| Audit Fees                                       |                                      | 3 236 981        | 2 890 951        |
| Bank Charges, Facility and Card Fees             |                                      | 240 014          | 183 378          |
| Commission                                       |                                      | 287 259          | 170 588          |
| Courier and Delivery Services                    |                                      | 1 996            | -                |
| Communication                                    |                                      | 654 873          | 867 686          |
| Deeds  |                                      | 16 918           | 11 973           |
| Entertainment                                    |                                      | 93 291           | 43 133           |
| External Computer Service                        |                                      | 131 575          | 761 020          |
| Hire Charges                                     |                                      | 25 086           | 97 951           |
| Indigent Relief                                  |                                      | 48 607           | 91 459           |
| Insurance Underwriting                           |                                      | 216 877          | 179 308          |
| Levies Paid - Water Resource Management Charges  |                                      | 104 921          | 17 480           |
| Licences   |                                      | 39 818           | 12 483           |
| Management Fees                                  |                                      | 15 831           | 70 000           |
| Municipal Services                               |                                      | 426 647          | 405 876          |
| Printing, Publications and Books                 |                                      | 14               | -                |
| Professional Bodies, Membership and Subscription |                                      | 535 370          | 500 913          |
| Remuneration to Ward Committees                  |                                      | 183 360          | 183 032          |
| Skills Development Fund Levy                     |                                      | 150 784          | 121 600          |
| Travel and Subsistence                           |                                      | 1 433 461        | 1 371 704        |
| Wet Fuel   |                                      | 627 150          | 460 585          |
| Workmen's Compensation Fund                      |                                      | 110 000          | 15 589           |
| <b>Total Operational Costs</b>                   |                                      | <b>8 666 143</b> | <b>8 363 963</b> |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|           |   | 2018<br>R                         | 2017<br>R           |
|-----------|---|-----------------------------------|---------------------|
| <b>41</b> | <b>DISCLOSURE IN TERMS OF MFMA 123 (1) (c)</b>  |                                   |                     |
|           | Operating grant expenditure per vote  |                                   |                     |
|           | Vote 1 - EXECUTIVE AND COUNCIL  | 680 037                           |                     |
|           | Vote 2 - DIRECTOR FINANCE   | 2 571 439                         | 2 576 344           |
|           | Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT  | -                                 |                     |
|           | Vote 4 - DIRECTOR COMMUNITY   | 128 526                           | 97 602              |
|           | Vote 5 - DIRECTOR TECHNICAL SERVICES  | -                                 | 111 828             |
|           | <b>Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables</b>  | <b>3 380 002</b>                  | <b>2 785 775</b>    |
| <b>42</b> | <b>LOSS ON DISPOSAL OF FIXED ASSETS</b>   |                                   |                     |
|           | Property, Plant and Equipment   | (703 583)                         | (47 942)            |
|           | <b>Total Loss on Disposal of Fixed Assets</b>   | <b>(703 583)</b>                  | <b>(47 942)</b>     |
|           | The disposal of PPE are not due to the sale of thereof, but was not supposed to be in the Fixed Asset Register as we do not own these properties nor do we have control over them.  |                                   |                     |
| <b>43</b> | <b>(IMPAIRMENT LOSS)/REVERSAL OF IMPAIRMENT LOSS ON FIXED ASSETS</b>  |                                   |                     |
|           | Property, Plant and Equipment   | (22 715)                          | 48 246              |
|           | Addition of Impairment on Landfill site   | (1 204 877)                       | -                   |
|           | <i>a new General valuation was performed in the 2016-2017 financial year with an effective date of 01 July 2017. This lead some properties that decreased in value which in turn lead to an impairment adjustment.</i>  |                                   |                     |
|           |   | (1 227 592)                       | 48 246              |
|           | <b>Total Reversal of Impairment / (Impairment Loss) on Fixed Assets</b>   | <b>(1 227 592)</b>                | <b>48 246</b>       |
| <b>44</b> | <b>RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA</b>   |                                   |                     |
|           | The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows: |                                   |                     |
|           |   | Balance<br>previously<br>reported | Restated<br>Balance |
|           | <b>Statement of Financial Position</b>  |                                   |                     |
|           | Capital Replacement Reserve   | 1 211 687                         | 1 211 687           |
|           | Accumulated Surplus   | 129 182 779                       | 129 182 779         |
|           | Long-term Liabilities   | 65 905                            | 65 905              |
|           | Non-current Provisions  | 18 998 008                        | 18 998 008          |
|           | Non-current Employee Benefits   | 5 438 694                         | 5 438 694           |
|           | Consumer Deposits   | 432 955                           | 432 955             |
|           | Current Employee Benefits   | 1 748 870                         | 1 748 871           |
|           | Trade and Other Payables from Exchange Transactions   | 7 964 085                         | 7 964 085           |
|           | Unspent Conditional Government Grants and Receipts  | 1 882 160                         | 1 882 160           |
|           | Cash and Cash Equivalents   | 847 182                           | 847 182             |
|           | Current Portion of Long-term Liabilities  | 69 296                            | 69 296              |
|           | Property, Plant and Equipment   | 119 247 574                       | 119 247 575         |
|           | Investment Property   | 13 286 342                        | 13 286 342          |
|           | Intangible Assets   | 119 289                           | 119 289             |
|           | Inventory   | 574 437                           | 574 437             |
|           | Receivables from exchange transactions  | 1 662 085                         | 1 792 571           |
|           | Receivables from non-exchange transactions  | 1 349 466                         | 1 208 975           |
|           | Operating Lease Asset   | 5 494                             | (1)                 |
|           | Taxes   | 3 126 243                         | 3                   |
|           | Cash and Cash Equivalents   | 28 258 691                        | 28 258 691          |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

| Statement of Financial Performance          | Balance previously reported | Adjustments | Restated Balance  |
|---|-----------------------------|-------------|-------------------|
| Property Rates                              | 2 873 491                   | -           | 2 873 491         |
| Government Grants and Subsidies - Capital   | 14 816 418                  | 128 872     | 14 889 548        |
| Government Grants and Subsidies - Operating | 21 712 764                  | (1 833 999) | 23 546 763        |
| Contributed Property, Plant and Equipment   | 1 400 000                   | -           | 1 400 000         |
| Actuarial Gains                             | 73 186                      | -           | 73 186            |
| Fines                                       | 11 918 600                  | (6 110)     | 11 924 710        |
| Service In kind                             | 3 087 740                   | -           | 3 087 740         |
| Service Charges                             | 20 931 398                  | (10 481)    | 20 941 859        |
| Sales of Goods and Rendering of Services    | -                           | (244 613)   | 244 613           |
| Rental of Facilities and Equipment          | 387 545                     | 387 545     | -                 |
| Rental from Fixed Assets                    | -                           | (387 405)   | 387 405           |
| Interest Earned - external Investments      | 2 282 808                   | -           | 2 282 808         |
| Interest Earned - Exchange Transactions     | 510 251                     | -           | 510 251           |
| Licences and Permits                        | 262 666                     | -           | 262 666           |
| Other Income from Exchange Transactions     | 2 104 681                   | 2 104 681   | -                 |
| Operational Revenue                         | -                           | (88 240)    | 88 240            |
| Employee related costs                      | 14 116 043                  | (1 456 604) | 15 572 647        |
| Remuneration of Councillors                 | 2 626 667                   | -           | 2 626 667         |
| Contracted Services                         | 5 828 470                   | (1 705 289) | 7 533 759         |
| Depreciation and Amortisation               | 5 591 297                   | -           | 5 591 297         |
| Repairs and maintenance                     | 1 217 131                   | 1 217 131   | -                 |
| Actuarial Losses                            | 261 030                     | -           | 261 030           |
| Finance Costs                               | 1 751 406                   | 457 331     | 1 294 075         |
| Bulk Purchases                              | 7 821 718                   | (1 808 018) | 9 729 734         |
| Inventory Consumed                          | -                           | (1 041 682) | 1 041 682         |
| Transfers and Subsidies                     | -                           | (115 000)   | 115 000           |
| Operational Costs                           | -                           | (8 375 432) | 8 375 432         |
| General expenditure                         | 12 827 584                  | 12 827 584  | -                 |
| Reversal of Impairment Loss on Receivables  | 11 581 656                  | 1           | 11 581 655        |
| Gains on Sale of Fixed Assets               | 47 946                      | 2           | 47 942            |
| (Impairment Loss) on Fixed Assets           | -                           | 48 246      | (48 246)          |
| <b>Net Surplus/(Deficit) for the year</b>   | <b>18 570 602</b>           | <b>-</b>    | <b>18 570 603</b> |

45 CORRECTION OF ERROR IN TERMS OF GRAP 3

| STATEMENT OF FINANCIAL POSITION                     | 2017          |                        | 2017          |
|---|---------------|------------------------|---------------|
|   | Re-classified | Adjustments for errors | Restated      |
| Property, Plant and Equipment                       | 119 247 575   | (2 841 344)            | 122 088 919   |
| Investment Property                                 | 13 286 342    | (441 811)              | 13 728 153    |
| Intangible Assets                                   | 119 289       | -                      | 119 289       |
| Inventory   | 574 437       | -                      | 574 437       |
| Receivables from Exchange Transactions              | 1 782 571     | 10 673                 | 1 781 898     |
| Receivables from Non-exchange Transactions          | 1 208 975     | (5 445)                | 1 214 420     |
| Operating Lease Asset                               | 5 493         | -                      | 5 493         |
| Value Added Tax                                     | 3 126 245     | -                      | 3 126 245     |
| Cash and Cash Equivalents                           | 28 258 691    | -                      | 28 258 691    |
| Long-term Borrowings                                | (65 905)      | -                      | (65 905)      |
| Non-current Provisions                              | (18 998 008)  | -                      | (18 998 008)  |
| Non-current Employee Benefits                       | (5 438 694)   | -                      | (5 438 694)   |
| Consumer Deposits                                   | (432 955)     | -                      | (432 955)     |
| Current Employee Benefits                           | (1 748 871)   | -                      | (1 748 871)   |
| Trade and Other Payables from Exchange Transactions | (7 964 085)   | 63 776                 | (8 027 881)   |
| Unspent Transfers and Subsidies                     | (1 862 180)   | 120 000                | (1 782 180)   |
| Cash and Cash Equivalents                           | (847 182)     | -                      | (847 182)     |
| Current Portion of Long-term Borrowings             | (69 296)      | -                      | (69 296)      |
| Capital Replacement Reserve                         | (1 211 687)   | -                      | (1 211 687)   |
| Accumulated Surplus                                 | (129 182 775) | 3 094 151              | (132 276 926) |
| <b>Total Net Assets and Liabilities</b>             | <b>-</b>      | <b>-</b>               | <b>-</b>      |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

REVENUE

|   |                   |                  |                   |
|---|-------------------|------------------|-------------------|
| Property Rates                              | 2 873 491         | -                | 2 873 491         |
| Government Grants and Subsidies - Operating | 23 546 763        | (120 000)        | 23 426 763        |
| Government Grants and Subsidies - Capital   | 14 889 546        | -                | 14 889 546        |
| Service in kind                             | 3 067 740         | -                | 3 067 740         |
| Contributed Property, Plant and Equipment   | 1 400 000         | -                | 1 400 000         |
| Actuarial Gains                             | 73 186            | -                | 73 186            |
| Fines, Penalties and Forfeits               | 11 924 710        | -                | 11 924 710        |
| Service Charges                             | 20 941 859        | (21 412)         | 20 920 447        |
| Rendering of Services                       | 244 613           | -                | 244 613           |
| Rental from Fixed Assets                    | 387 405           | 10 799           | 398 144           |
| Interest Earned - External Investments      | 2 282 808         | -                | 2 282 808         |
| Interest Earned - Exchange Transactions     | 510 251           | -                | 510 251           |
| Licences and Permits                        | 262 686           | -                | 262 686           |
| Operational Revenue                         | 88 240            | 5 445            | 93 686            |
| <b>Total Revenue</b>                        | <b>82 293 278</b> | <b>(125 228)</b> | <b>82 168 050</b> |

EXPENDITURE

|  | 2017              | 2017                   |
|--|-------------------|------------------------|
|  | Re-classified     | Adjustments for errors |
|  |                   | Restated               |
| Employee related costs                         | 15 572 647        | -                      |
| Remuneration of Councillors                    | 2 626 667         | -                      |
| Contracted Services                            | 7 533 759         | 74 530                 |
| Depreciation and Amortisation                  | 5 591 297         | (209 662)              |
| Actuarial Losses                               | 281 030           | -                      |
| Finance Costs                                  | 1 294 075         | -                      |
| Bulk Purchases                                 | 9 729 734         | -                      |
| Inventory Consumed                             | 1 041 662         | (3 771)                |
| Transfers and Subsidies                        | 115 000           | -                      |
| Operational Costs                              | 8 375 432         | (11 469)               |
| <b>Total Expenditure</b>                       | <b>52 141 324</b> | <b>(160 372)</b>       |
| <b>Operating Surplus for the Year</b>          | <b>30 151 954</b> | <b>25 144</b>          |
| Contribution to Impairment Loss on Receivables | (11 581 655)      | -                      |
| Loss on Disposal of Fixed Assets               | (47 942)          | -                      |
| Impairment Loss on Fixed Assets                | 48 246            | -                      |
| <b>NET SURPLUS FOR THE YEAR</b>                | <b>18 570 603</b> | <b>25 144</b>          |
|  |                   |                        |
|  |                   |                        |

45.1 Property, Plant and Equipment

|   |                    |
|---|--------------------|
| Balance previously reported                             | 119 247 575        |
| Depreciation incorrectly calculated in the prior year   | 208 545            |
| Community assets previously not recognised              | 402 184            |
| Land and Buildings previously not recognised correctly  | 2 377 293          |
| Accumulated Depreciation on recognised community assets | (146 658)          |
| <b>Restated Balance</b>                                 | <b>122 088 919</b> |

Depreciation calculated incorrectly on landfill sites. This lead to the carrying value being stated incorrectly.  
 Community assets previously not recognised correctly.  
 Land and Buildings previously not recognised correctly.  
 Accumulated Depreciation on Land and Buildings previously not recognised correctly.

45.2 Investment Property

|  |                   |
|--|-------------------|
| Balance previously reported                                  | 13 286 342        |
| Additions to Investment properties not previously recognised | 441 811           |
| <b>Restated Balance</b>                                      | <b>13 728 153</b> |

After comparing the deeds search with the FAR it was evident that some erfs were not accounted for correctly. Investment properties were therefore restated.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|  | 2018             | 2017 |
|--|------------------|------|
|  | R                | R    |
| <b>45.3 Receivables from Exchange Transactions</b> |                  |      |
| Balance previously reported                        | 1 792 571        |      |
| Revenue recognised in the incorrect financial year | 10 739           |      |
| Revenue recognised incorrectly                     | (21 412)         |      |
| <b>Restated Balance</b>                            | <b>1 781 898</b> |      |

*Revenue for Rental Income recognised in the incorrect financial year. Restated to correct the recognition.*

*Revenue recognised incorrectly in the prior year and therefore corrected.*

**45.4 Receivables from Non-Exchange Transactions**

|  |                  |
|--|------------------|
| Balance previously reported                              | 1 208 975        |
| Insurance claim received in the 2015-2016 financial year | 5 445            |
| <b>Restated Balance</b>                                  | <b>1 214 420</b> |

An insurance claim that was paid out in the 2015-2016 financial year was incorrectly taken to Trade receivables and not treated as a Loss or Gain on the disposal of an Asset

**45.5 Trade and Other Payables from Exchange Transactions**

|  |                  |
|--|------------------|
| Balance previously reported                                      | 8 009 338        |
| Credit note received mSCOA project not yet completed             | (21 000)         |
| Credit note materials not received                               | (3 771)          |
| Credit notes treated incorrectly in the prior year               | 196 946          |
| Retention not treated correctly                                  | (103 719)        |
| Internal audit fee not recognised in the correct financial year  | 95 530           |
| Computer expenses paid in the incorrect financial year           | 10 108           |
| Credit notes for creditors reversed in the prior financial years | (114 800)        |
| Deposits paid back from Sundry Creditors                         | 4 485            |
| <b>Restated Balance</b>  | <b>8 073 115</b> |

*The municipality's previous main frame service provider discontinued their services. The implementation of mSCOA, that had to be paid in advance, was not completed. A credit note was issued by Fujitsu for an amount of R21 000.*

*Credit note on materials not received from Klein-Karoo Co-operation for an amount of R3 771.*

*Credit note journal reversed to correct Creditors reconciliation.*

*INEP Retention not treated correctly. Retention should not have been raised in the 2016-2017 financial year.*

*Internal audit fees recognised in the incorrect financial year.*

*Computer expenses recognised in the incorrect financial year.*

*Credit notes for the dpt of Water and sanitation relating to prior years.*

*A Deposit was paid back for the purchase of a vacant erf of the Municipality. The sale did not occur.*

**45.7 Unspent Transfers and Subsidies**

|   |                  |
|---|------------------|
| Balance previously reported   | 1 662 160        |
| Capacity Grant not spent in accordance with Provincial Treasury legislation | 120 000          |
| <b>Restated Balance</b>   | <b>1 782 160</b> |

The capacity grant spent was not in accordance with Provincial Treasury legislation. Grant however was not paid back, but spent correctly in the 2017-2018 financial year.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|   |  | 2018               | 2017               |
|---|--|--------------------|--------------------|
|   |  | R                  | R                  |
| <b>46 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b> |  |                    |                    |
| Surplus for the year  |  | 9 067 729          | 18 595 747         |
| <b>Adjustments for:</b>   |  |                    |                    |
| Depreciation and Amortisation   |  | 5 483 081          | 5 381 635          |
| Loss on Sale of Fixed Assets  |  | 703 583            | 1 302 840          |
| Impairment Loss/(Reversal of Impairment Loss)   |  | 1 227 592          | (48 246)           |
| Contributed Property, Plant and Equipment   |  | (2 538 473)        | (1 400 000)        |
| Contribution to provisions – Bad Debt   |  | 8 667 614          | 11 581 655         |
| Repay to National Revenue Fund  |  | (1 102 159)        |                    |
| Change in Provision for Rehabilitation Cost   |  | 34 286             | (18 805)           |
| Government Grants and Subsidies received  |  | 37 945 418         |                    |
| Government Grants and Subsidies recognised as revenue   |  | (38 202 163)       |                    |
| Contribution from/to provisions - Non-Current Employee Benefits                                       |  | 1 074 219          |                    |
| Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses                    |  | 55 252             |                    |
| Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains                     |  | (263 831)          |                    |
| Disposal landfill sites   |  | 585 504            |                    |
| Operating Surplus/(Deficit) before changes in working capital   |  | 22 707 611         | 35 394 828         |
| Changes in working capital  |  | (14 237 225)       | (19 015 717)       |
| (Decrease)/Increase in Trade and Other Payables   |  | (5 073 845)        | 2 225 697          |
| (Decrease) in Unspent Conditional Government Grants and Receipts                                      |  | -                  | (8 656 082)        |
| (Decrease) in Taxes   |  | (540 487)          | (1 171 040)        |
| Decrease/(Increase) in Operating lease asset  |  | (35 707)           | 29 568             |
| (Increase) in Inventory   |  | (140 938)          | (104 087)          |
| (Increase) in Gross Debtors from exchange and non exchange  |  | (8 843 605)        | (11 919 738)       |
| Increase in Employee benefits   |  | 397 357            | 579 966            |
| <b>Cash generated by operations</b>   |  | <b>8 470 386</b>   | <b>18 379 109</b>  |
| <b>47 CASH AND CASH EQUIVALENTS</b>   |  |                    |                    |
| Cash and cash equivalents included in the cash flow statement comprise the following:                 |  |                    |                    |
| Current Accounts - Note 9   |  | 336 491            | 1 184 833          |
| Call Deposits and Investments - Note 9  |  | 25 074 560         | 26 223 827         |
| Cash Floats - Note 9  |  | 3 050              | 2 850              |
| <b>Total cash and cash equivalents</b>  |  | <b>25 414 091</b>  | <b>27 411 509</b>  |
| <b>48 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>                                   |  |                    |                    |
| Cash and Cash Equivalents - Note 47   |  | 25 414 091         | 27 411 509         |
| <b>Less:</b>  |  | <b>(2 318 472)</b> | <b>(1 782 180)</b> |
| Unspent Transfers and Subsidies - Note 16   |  | (2 318 472)        | (1 782 180)        |
| Net cash resources available for internal distribution  |  | 23 095 619         | 25 629 350         |
| Allocated to:   |  |                    |                    |
| Capital Replacement Reserve   |  | (1 211 687)        | (1 469 160)        |
| <b>Resources available for working capital requirements</b>   |  | <b>21 883 932</b>  | <b>24 160 190</b>  |
| <b>49 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>   |  |                    |                    |
| Long-term Liabilities - Note 10   |  | 65 905             | 135 201            |
| Used to finance property, plant and equipment - at cost   |  | (65 905)           | (135 201)          |
| Cash set aside for the repayment of long-term liabilities   |  | -                  | -                  |
| Cash invested for repayment of long-term liabilities  |  | -                  | -                  |
| Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.     |  |                    |                    |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

50

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2018  
R

2017  
R

**50.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

|   |             |           |
|---|-------------|-----------|
| Opening balance                                     | 8 565 001   |           |
| Unauthorised expenditure current year - operational | 5 116 614   | 8 565 001 |
| Unauthorised expenditure current year - capital     | -           |           |
| Approved by Council or condoned                     | (8 565 001) | -         |
| Transfer to receivables for recovery                | -           | -         |
| Unauthorised expenditure awaiting authorisation     | 5 116 614   | 8 565 001 |

2018  
R

Unauthorised expenditure can be summarised as follow:

| Incident  | Disciplinary steps/criminal proceedings | 2018<br>R | 2017<br>R |
|---|---|-----------|-----------|
| Provision for traffic fines incorrectly budgeted for. | None                                    | 2 142 291 | 3 709 303 |
| Provision for landfillsite incorrectly budgeted for   | None                                    | 2 974 323 | 2 885 699 |
|   |   | 5 116 614 | 6 565 001 |

|  | 2018<br>Actual<br>R | 2018<br>Final Budget<br>R | 2018<br>Variance<br>R | 2018<br>Unauthorised<br>R |
|--|---------------------|---------------------------|-----------------------|---------------------------|
| <b>Unauthorised expenditure current year - operating</b> |                     |                           |                       |                           |
| Vote 1 - EXECUTIVE AND COUNCIL                           | 8 928 482           | 7 209 680                 | (281 198)             | -                         |
| Vote 2 - DIRECTOR FINANCE                                | 16 648 438          | 24 827 420                | (8 178 982)           | -                         |
| Vote 3 - DIRECTOR CORPORATE                              | 4 873 658           | 5 286 080                 | (412 402)             | -                         |
| Vote 4 - DIRECTOR COMMUNITY                              | 11 533 751          | 9 391 460                 | 2 142 291             | 2 142 291                 |
| Vote 5 - DIRECTOR TECHNICAL SERVICES                     | 27 420 893          | 24 446 570                | 2 974 323             | 2 974 323                 |
|  | 67 405 222          | 71 161 190                | (3 755 968)           | 5 116 614                 |

|  | 2018<br>Actual<br>R | 2018<br>Final Budget<br>R | 2018<br>Variance<br>R | 2018<br>Unauthorised<br>R |
|--|---------------------|---------------------------|-----------------------|---------------------------|
| <b>Unauthorised expenditure current year - capital</b> |                     |                           |                       |                           |
| Vote 1 - EXECUTIVE AND COUNCIL                         | 85 743              | 110 000                   | (24 257)              | -                         |
| Vote 2 - DIRECTOR FINANCE                              | 419 231             | 4 893 000                 | (4 473 769)           | -                         |
| Vote 3 - DIRECTOR CORPORATE                            | 27 380              | 37 500                    | (10 140)              | -                         |
| Vote 4 - DIRECTOR COMMUNITY                            | 147 581             | 549 000                   | (401 439)             | -                         |
| Vote 5 - DIRECTOR TECHNICAL SERVICES                   | 10 701 053          | 11 828 550                | (1 127 497)           | -                         |
|  | 11 380 947          | 17 418 050                | (6 037 103)           | -                         |

**50.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

|   |          |        |
|---|----------|--------|
| Opening balance   | 31 136   | -      |
| Fruitless and wasteful expenditure current year         | 1 494    | 31 136 |
| Condoned or written off by Council                      | (31 136) | -      |
| Fruitless and wasteful expenditure awaiting condonement | 1 494    | 31 136 |

Fruitless and wasteful expenditure can be summarised as follow:

| Incident   | Disciplinary steps/criminal proceedings |       |        |
|--|---|-------|--------|
| Interest & Penalty on late payment of May 2017's VAT account.      | None                                    | -     | 31 136 |
| Interest & Penalty on late payment of February 2018's VAT account. | None                                    | 1 494 | 31 136 |
|  |   | 1 494 | 31 136 |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|   | 2018<br>R     | 2017<br>R      |
|---|---------------|----------------|
| <b>50.3 Irregular expenditure</b>                     |               |                |
| Reconciliation of irregular expenditure:              |               |                |
| Opening balance                                       | 224 500       | 222 067        |
| Irregular expenditure current year                    | 772 114       | 2 433          |
| Written off by council relating to SCM non-compliance | (222 067)     | -              |
| Written off by council relating to Local content      | (750 280)     | -              |
| Irregular expenditure awaiting further action         | <u>24 288</u> | <u>224 500</u> |

Irregular expenditure can be summarised as follow:

| Incident                                | Disciplinary steps/criminal proceedings |                |
|---|---|----------------|
| Non compliance with SCM - Local Content | None                                    |                |
| Non compliance with SCM                 | None                                    |                |
| Non compliance with SCM - Not on CSD    | None                                    |                |
|   |   | 750 280        |
|   |   | 4 407          |
|   |   | 17 446         |
|   |   | <u>772 114</u> |
|   |   | <u>224 500</u> |

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

**61 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**61.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)**

|   |           |           |
|---|-----------|-----------|
| Opening balance                               |           |           |
| Council subscriptions                         | 500 000   | 500 000   |
| Amount paid - current year                    | (500 000) | (500 000) |
| <b>Balance unpaid (Included in creditors)</b> |           |           |
|   | <u>-</u>  | <u>-</u>  |

**61.2 Audit fees - [MFMA 125 (1)(c)]**

|   |                    |                    |
|---|--------------------|--------------------|
| Opening balance                               |                    |                    |
| Current year audit fee                        |                    |                    |
| External Audit - Auditor-General              | 3 236 991          | 2 890 951          |
| Amount paid - current year                    | 3 236 991          | 2 890 951          |
| <b>Balance unpaid (Included in creditors)</b> | <u>(3 236 991)</u> | <u>(2 890 951)</u> |
|   | <u>-</u>           | <u>-</u>           |

**61.3 VAT - [MFMA 125 (1)(c)]**

|                        |                |                |
|------------------------|----------------|----------------|
| Opening balance        | 566 998        | 817 565        |
| VAT inputs             | 3 641 122      | 4 019 403      |
| VAT outputs            | (2 787 722)    | (3 090 498)    |
| Paid                   | 339 235        | -              |
| Received               | (1 122 910)    | (1 179 472)    |
| <b>Closing balance</b> | <u>636 722</u> | <u>566 998</u> |

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

**61.4 PAYE and UIF - [MFMA 125 (1)(c)]**

|   |             |             |
|---|-------------|-------------|
| Opening balance                               |             |             |
| Current year payroll deductions               | 3 274 274   | 2 580 366   |
| Amount paid - current year                    | (3 274 274) | (2 580 366) |
| <b>Balance unpaid (Included in creditors)</b> |             |             |
|   | <u>-</u>    | <u>-</u>    |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|  | 2018<br>R                | 2017<br>R                |
|--|--------------------------|--------------------------|
| <b>51.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b> |                          |                          |
| Opening balance  |                          |                          |
| Current year payroll deductions and Council Contributions          |                          |                          |
| Amount paid - current year   | 2 041 721<br>(2 041 721) | 1 862 239<br>(1 862 239) |
| <b>Balance unpaid (Included in creditors)</b>                      | <hr/> <hr/>              | <hr/> <hr/>              |

**51.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

No Councillors had arrear accounts outstanding for more than 90 days during the year.

**51.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b) and exclude VAT

| For the Year | Amount | Type of Deviation |            |             | Emergency |
|--------------|--------|-------------------|------------|-------------|-----------|
|              |        | Single Supplier   | Impossible | Impractical |           |
|              |        |                   |            | 125 164     | 60 171    |
|              |        |                   |            | 125 164     | 60 171    |

**51.8 Service in State**

The following supplier(s) indicated that a family member is in service of the state as required by section 45 of the Supply Chain Management Regulations.

| Company name      | Related person  | Company Capacity | Capacity at State / Municipality | Relationship | State department           | Payments  |
|-------------------|-----------------|------------------|----------------------------------|--------------|----------------------------|-----------|
| Jan Nel Elektries | Jan Nel         | Owner            | Teacher                          | Spouse       | WCED                       | 1 628 639 |
| JCQ               | Jeffrey Jantjes | Owner            | Technical dpt                    | Spouse       | Prince Albert Municipality | 182 797   |

**51.9 Material losses**

**Electricity distribution losses**

| Units purchased (Kwh)                | 2018<br>R  | 2017<br>R  |
|--------------------------------------|------------|------------|
| Units lost during distribution (Kwh) | 10 455 403 | 10 544 411 |
| Percentage lost during distribution  | 1 400 340  | 1 533 655  |
| Distribution loss (Rand Value)       | 13.39%     | 14.54%     |
|                                      | 1 282 563  | 1 384 602  |

**Water distribution losses**

| Kilo litres purified                 | 2018<br>R | 2017<br>R |
|--------------------------------------|-----------|-----------|
| Kilo litres lost during distribution | 547 010   | 607 253   |
| Percentage lost during distribution  | 81 632    | 92 035    |
| Distribution loss (Rand Value)       | 16.75%    | 15.16%    |
|                                      | 368 359   | 291 110   |

Normal pipe bursts and field leakages are responsible for water losses.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

52 FINANCIAL RISK MANAGEMENT

2018  
R 2017  
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price Risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

|  | 2018<br>R | 2017<br>R |
|--|-----------|-----------|
| The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow: |           |           |
| 1% (2017: 1%) Increase in interest rates   | 253 451   | 281 206   |
| 1% (2017: 1%) Decrease in interest rates   | (253 451) | (281 206) |

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Exchange Receivables

|             |               |                 |               |                 |
|-------------|---------------|-----------------|---------------|-----------------|
| Electricity | 12.76%        | 926 227         | 14.84%        | 598 106         |
| Water       | 40.86%        | 2 951 231       | 40.49%        | 1 648 630       |
| Refuse      | 18.61%        | 1 350 610       | 16.86%        | 888 684         |
| Sewerage    | 22.35%        | 1 622 344       | 21.12%        | 859 774         |
| Other       | 5.62%         | 408 158         | 6.89%         | 280 636         |
|             | <hr/> 100.00% | <hr/> 7 258 568 | <hr/> 100.00% | <hr/> 4 071 810 |

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 7 and note 8 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different categories of receivables as follow:

|             | 2018<br>%     | 2018<br>R       | 2017<br>%     | 2017<br>R       |
|-------------|---------------|-----------------|---------------|-----------------|
| Government  | 0.38%         | 27 927          | 0.00%         | -               |
| Industrial  | 1.46%         | 106 169         | 2.17%         | 88 445          |
| Residential | 0.00%         | -               | 0.00%         | -               |
| Indigents   | 82.96%        | 6 021 790       | 90.70%        | 3 693 059       |
| Indigents   | 15.19%        | 1 102 682       | 7.13%         | 290 308         |
|             | <hr/> 100.00% | <hr/> 7 258 568 | <hr/> 100.00% | <hr/> 4 071 810 |

Ageing of amounts past due but not impaired are as follow:

2018

|                    | Exchange<br>Receivables | Non-exchange<br>Receivables |
|--------------------|-------------------------|-----------------------------|
| 1 month past due   | 644 667                 | 37 322                      |
| 2+ months past due | 6 886 639               | 1 110 592                   |
|                    | <hr/> 7 531 306         | <hr/> 1 147 913             |

2017

|                    | Exchange<br>Receivables | Non-exchange<br>Receivables |
|--------------------|-------------------------|-----------------------------|
| 1 month past due   | 591 165                 | 39 241                      |
| 2+ months past due | 3 817 327               | 887 586                     |
|                    | <hr/> 4 408 492         | <hr/> 928 807               |

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|   | 2018<br>R         | 2017<br>R         |
|---|-------------------|-------------------|
| Financial assets exposed to credit risk at year end are as follows: |                   |                   |
| Receivables from exchange transactions                              | 9 005 081         | 5 853 708         |
| Receivables from non-exchange transactions                          | 28 288 798        | 22 208 701        |
| Cash and Cash Equivalents   | 25 411 041        | 27 408 659        |
|   | <b>62 704 820</b> | <b>55 471 067</b> |

**(e) Liquidity Risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

|  | Less than 1<br>year | Between 1 and 5<br>years | Between 5<br>and 10 years | More than 10<br>years |
|--|---------------------|--------------------------|---------------------------|-----------------------|
| <b>2018</b>  |                     |                          |                           |                       |
| Long-term Liabilities                              | 67 771              | 4 825                    | -                         | -                     |
| Capital repayments                                 | 61 155              | 4 760                    | -                         | -                     |
| Interest   | 6 616               | 75                       | -                         | -                     |
| Trade and Other Payables                           | 2 954 015           |                          |                           |                       |
| Unspent conditional government grants and receipts | 2 318 472           |                          |                           |                       |
| Cash and Cash Equivalents                          | 25 414 091          |                          |                           |                       |
|  | <b>30 754 350</b>   | <b>4 825</b>             | <b>-</b>                  | <b>-</b>              |
| <b>2017</b>  |                     |                          |                           |                       |
| Long-term Liabilities                              | 87 512              | 72 598                   | -                         | -                     |
| Capital repayments                                 | 69 296              | 65 905                   | -                         | -                     |
| Interest   | 18 216              | 6 691                    | -                         | -                     |
| Trade and Other Payables                           | 8 027 880           |                          |                           |                       |
| Unspent conditional government grants and receipts | 1 782 160           |                          |                           |                       |
| Cash and Cash Equivalents                          | 27 411 509          |                          |                           |                       |
|  | <b>37 309 041</b>   | <b>72 598</b>            | <b>-</b>                  | <b>-</b>              |

**53 FINANCIAL INSTRUMENTS**

In accordance with GRAP104.46 the financial liabilities and assets of the municipality are classified as follows:

| <b>53.1 Financial Assets</b>                  | <b>Classification</b>                   |           |           |
|---|---|-----------|-----------|
| <b>Receivables from Exchange Transactions</b> |   |           |           |
| Electricity                                   | Financial Instruments at amortised cost | 1 684 095 | 1 407 899 |
| Water   | Financial Instruments at amortised cost | 3 237 523 | 1 908 018 |
| Property Rentals                              | Financial Instruments at amortised cost | 326 798   | 189 544   |
| Waste Management                              | Financial Instruments at amortised cost | 1 461 542 | 776 074   |
| Waste Water Management                        | Financial Instruments at amortised cost | 1 707 289 | 916 165   |
| Other Arrears                                 | Financial Instruments at amortised cost | 118 897   | 104 173   |

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

|   | 2018<br>R                               | 2017<br>R         |
|---|---|-------------------|
| <b>Cash and Cash Equivalents</b>                |   |                   |
| Bank Balances                                   | 336 491                                 | 1 184 833         |
| Call Deposits                                   | 25 074 550                              | 26 223 827        |
| <b>Total Financial Assets</b>                   | <b>34 004 919</b>                       | <b>32 780 556</b> |
| <b>SUMMARY OF FINANCIAL ASSETS</b>              |   |                   |
| <b>Financial Instruments at amortised cost:</b> |   |                   |
| Receivables from Exchange Transactions          | 1 684 095                               | 1 407 899         |
| Receivables from Exchange Transactions          | 3 237 523                               | 1 908 018         |
| Receivables from Exchange Transactions          | 326 798                                 | 189 544           |
| Receivables from Exchange Transactions          | 1 481 542                               | 776 074           |
| Receivables from Exchange Transactions          | 1 707 289                               | 916 165           |
| Receivables from Exchange Transactions          | 118 897                                 | 104 173           |
| Cash and Cash Equivalents                       | 336 491                                 | 1 184 833         |
| Cash and Cash Equivalents                       | 25 074 550                              | 26 223 827        |
|   | <b>34 004 919</b>                       | <b>32 780 556</b> |
| <b>Financial Instruments at fair value:</b>     |   |                   |
| <b>Total Financial Assets</b>                   | <b>34 004 919</b>                       | <b>32 780 556</b> |
| <b>53.2 Financial Liabilities</b>               |   |                   |
| <b>Classification</b>                           |   |                   |
| <b>Long-term Liabilities</b>                    |   |                   |
| Capitalised Lease Liability                     | 65 905                                  | 135 201           |
| <b>Trade and Other Payables</b>                 |   |                   |
| Trade Payables                                  | 2 520 543                               | 4 077 352         |
| Retentions                                      | -                                       | 588 144           |
| Other Payables                                  | 22 268                                  | 15 892            |
| Debtors with credit balances                    | 411 203                                 | 481 811           |
| <b>Cash and Cash Equivalents</b>                |   |                   |
| Bank Overdraft                                  | Financial Instruments at amortised cost |                   |
|   | -                                       | (847 182)         |
|   | <b>3 019 919</b>                        | <b>4 461 018</b>  |
| <b>SUMMARY OF FINANCIAL LIABILITIES</b>         |   |                   |
| <b>Financial Instruments at amortised cost:</b> |   |                   |
| Long-term Liabilities                           | Capitalised Lease Liability             | 65 905            |
| Trade and Other Payables                        | Trade Payables                          | 2 520 543         |
| Trade and Other Payables                        | Accrued Interest                        | -                 |
| Trade and Other Payables                        | Other Payables                          | 22 268            |
| Trade and Other Payables                        | Debtors with credit balances            | 411 203           |
| Cash and Cash Equivalents                       | Bank Overdraft                          | -                 |
|   |   | (847 182)         |
|   | <b>3 019 919</b>                        | <b>4 461 018</b>  |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

|           |  | 2018<br>R                | 2017<br>R                |
|-----------|--|--------------------------|--------------------------|
| <b>54</b> | <b>STATUTORY RECEIVABLES</b>   |                          |                          |
|           | In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:  |                          |                          |
|           | <b>Taxes</b>   |                          |                          |
|           | VAT Receivable   | 636 722                  | 566 998                  |
|           | <b>Receivables from Non-Exchange Transactions</b>  |                          |                          |
|           | Rates  | 27 436 732               | 21 719 135               |
|           | Fines  | 1 141 867                | 882 039                  |
|           | <b>Total Statutory Receivables (before provision)</b>  | <u>26 294 865</u>        | <u>20 827 096</u>        |
|           | <b>Less:</b> Provision for Debt Impairment   | <u>28 073 454</u>        | <u>22 286 133</u>        |
|           | <b>Total Statutory Receivables (after provision)</b>   | <u><u>28 073 454</u></u> | <u><u>22 286 133</u></u> |
| <b>55</b> | <b>IN-KIND DONATIONS AND ASSISTANCE</b>  |                          |                          |
|           | As per GRAP 23 par 99-107 the following transactions are regarded as service in kind:  |                          |                          |
|           | Johan Pieters - MISA (Municipal Infrastructure Support Agency) advisor   | 1 083 206                | 1 018 051                |
|           | The auditor General - Audit fees over and above 1% contributed by National Treasury  | 2 327 305                | 2 049 680                |
|           | Moore Stephans In SLA with Central Karoo District Municipality   | 175 000                  | -                        |
|           | <b>Total In-kind Donations and Assistance</b>  | <u>3 585 511</u>         | <u>3 067 740</u>         |
| <b>56</b> | <b>CONTINGENT LIABILITY</b>  |                          |                          |
|           | The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates: |                          |                          |
|           | Overflow of a transfer station at Prince Albert Road lead to the deaths of a farmer's wild oryxes.   | 99 000                   | -                        |
|           |  | <u>99 000</u>            | <u>-</u>                 |
| <b>57</b> | <b>CAPITAL COMMITMENTS</b>   |                          |                          |
|           | <b>Commitments in respect of capital expenditure excluding VAT:</b>  |                          |                          |
|           | Approved and contracted for:   | 5 276 151                | 2 396 256                |
|           | Total commitments consist out of the following:  |                          |                          |
|           | New Link Road & Associated Stormwater  | 3 438 142                | 2 396 256                |
|           | Raw water storage In Prince Albert   | 1 838 008                | -                        |
|           | Drought relief from Provincial Treasury  | <u>5 276 151</u>         | <u>2 396 256</u>         |
|           | This expenditure will be financed from:  |                          |                          |
|           | Government Grants  | 5 276 151                | 2 396 256                |
|           |  | <u>5 276 151</u>         | <u>2 396 256</u>         |

**PRINCE ALBERT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**58 RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

**58.1 Related Party Transactions**

| <u>Councillors</u> |                   | <b>Outstanding balances on municipal accounts</b> |
|--------------------|-------------------|---|
| G. Lottering       | Mayor             |   |
| S. Botes           | Speaker           |   |
| L. Jequet          | Deputy Mayor      |   |
| M.D. Jaftha        | Councillor        |   |
| S. Plett           | Councillor        |   |
| E. Maans           | Councillor        |   |
| R. Steyn           | Councillor        |   |
| N.S. Abrahams      | Ex - Deputy Mayor |   |
| I.J. Windvogel     | Ex - Councillor   |   |
|                    |                   | <b>1 503</b>                                      |
|                    |                   | <b>1 503</b>                                      |

Key Management

H.F.W. Mettler  
J.D. Neethling  
A. Vorster

Please note not all related parties have municipal accounts

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**58.2 Related Party Loans**

No loans were granted to councillors or senior management employees.

**58.3 Compensation of key management personnel**

The compensation of key management personnel is set out in note 31 to the Annual Financial Statements.

**58.4 Other related party transactions**

|  |               | <b>2018</b>      | <b>2017</b>  |
|--|---------------|------------------|--------------|
| The following purchases were made during the year where Councillors or staff have an interest: |               |                  |              |
| Company Name   | Related Party | Service Capacity | Relationship |
| Prince Albert advice centre  | G Lottering   | Mayor            | Director     |

**59 FINANCIAL SUSTAINABILITY**

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

**Financial Indicators**

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
| The current ratio for the comparative years are:   |             |             |
| It is evident that the current financial year increased its ratio compared to the previous year. | 4.41        | 2.71        |

**APPENDIX A**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

| EXTERNAL LOANS                 |  | Balance at<br>30 June 2017 | Received<br>during the<br>period | Redeemed<br>written off<br>during the<br>period | Balance at<br>30 June 2018 | Carrying<br>Value of<br>Property, Plant<br>& Equipment |
|--------------------------------|--|----------------------------|----------------------------------|---|----------------------------|--|
| <b>LEASE LIABILITY</b>         |  |                            |                                  |   |                            |  |
| Minolta Bizhub C284E           |  | 36 253                     | -                                | (26 630)  | 9 623                      | 9 623  |
| Minolta B287                   |  | 36 283                     | -                                | (15 630)  | 20 652                     | 20 652   |
| Minolta B554E                  |  | 62 665                     | -                                | (27 036)  | 35 629                     | 35 629   |
| <b>Total Lease Liabilities</b> |  | <b>135 201</b>             | <b>-</b>                         | <b>(69 296)</b>                                 | <b>65 905</b>              | <b>65 905</b>  |
| <b>TOTAL EXTERNAL LOANS</b>    |  | <b>135 201</b>             | <b>-</b>                         | <b>(69 296)</b>                                 | <b>65 905</b>              | <b>65 905</b>  |

**APPENDIX E**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 68 OF 2003**

| Grant Description  | Balance<br>30 June 2017 | Correction<br>of Error | Revised<br>Balance<br>30 June 2017 | Contributions<br>during the year | Repaid<br>to<br>National<br>Revenue<br>Fund | Operating<br>Expenditure<br>during the year<br>Transferred<br>to Revenue | Capital<br>Expenditure<br>during the year<br>Transferred<br>to Revenue | Balance<br>30 June 2018 | Unspent<br>30 June 2018<br>(Creditor) | Unpaid<br>30 June 2018<br>(Debtor) |
|--|-------------------------|------------------------|------------------------------------|----------------------------------|---|--|--|-------------------------|---------------------------------------|------------------------------------|
|  |                         |                        |                                    |                                  |   |  |  |                         | 30 June 2018                          | 30 June 2018                       |
| <b>National Government Grants</b>                                    |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Equitable Share  |                         |                        |                                    | 17 652 000                       |   | (17 652 000)   |  |                         |                                       |                                    |
| Finance Management Grant   |                         |                        |                                    | 1 700 000                        |   | (1 700 000)  |  |                         |                                       |                                    |
| Municipal Infrastructure Grant                                       | 731 469                 |                        | 731 469                            | 7 659 000                        | (731 469)                                   | (380 450)  | (7 228 550)  |                         |                                       |                                    |
| Integrated National Elocalization Grant                              |                         |                        |                                    | 1 000 000                        |   |  | (2 886 217)  | (1 895 217)             |                                       |                                    |
| EPWP   |                         |                        |                                    | 1 000 000                        |   | (1 000 000)  |  |                         |                                       |                                    |
| <b>Total National Government Grants</b>                              | <b>731 469</b>          |                        | <b>731 469</b>                     | <b>28 961 000</b>                | <b>(731 469)</b>                            | <b>(20 732 469)</b>  | <b>(10 123 767)</b>  | <b>(1 895 217)</b>      |                                       |                                    |
| <b>Provincial Government Grants</b>                                  |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Library  |                         |                        |                                    | 1 505 000                        |   | (1 505 000)  |  |                         |                                       |                                    |
| Drought Relief   | 370 690                 |                        | 370 690                            | 500 000                          | (370 690)                                   |  |  |                         |                                       |                                    |
| Additional Drought relief for Businesses                             | 500 000                 |                        |                                    | 60 000                           |   |  |  |                         |                                       |                                    |
| Internership recruitment   |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| CDW  |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Financial Capacity - AFS   |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Financial Capacity - AFS software                                    |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Financial Capacity - Internal Audit                                  |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Financial Capacity - MSCOA   |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Financial Capacity - SPBIP   |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Capacity Building  |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Additional WC Drought relief for Businesses                          | 120 000                 |                        | 120 000                            | 240 000                          | (120 000)                                   | (120 000)  |  |                         |                                       |                                    |
| Total Provincial Government Grants                                   | 930 690                 | 120 000                | 1 050 690                          | 5 249 000                        | (370 690)                                   | (3 068 610)  | (161 992)  | 1 838 000               | 1 838 000                             |                                    |
| <b>District Municipality</b>   |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Central Karoo District Municipality                                  |                         |                        |                                    |                                  | 125 000                                     |  | (125 000)  |                         |                                       |                                    |
| <b>Total District Municipality Grants</b>                            |                         |                        |                                    |                                  | <b>125 000</b>                              |  | <b>(125 000)</b>   |                         |                                       |                                    |
| <b>Other Grant Providers</b>   |                         |                        |                                    |                                  |   |  |  |                         |                                       |                                    |
| Allocations in kind - NT contribution on audit fees                  |                         |                        |                                    |                                  | 2 327 305                                   |  | (2 327 305)  |                         |                                       |                                    |
| Allocations in kind - Central Karoo District Municipality - Training |                         |                        |                                    |                                  | 175 000                                     |  | (175 000)  |                         |                                       |                                    |
| Allocations in kind - MSA - Engineering services                     |                         |                        |                                    |                                  | 1 083 205                                   |  | (1 083 205)  |                         |                                       |                                    |
| SETA   |                         |                        |                                    |                                  | 24 907                                      |  | (24 907)   |                         |                                       |                                    |
| <b>Total Other Grant Providers</b>                                   |                         |                        |                                    |                                  | <b>3 610 418</b>                            |  | <b>(3 610 418)</b>   |                         |                                       |                                    |
| <b>Total Grants</b>  | <b>1 662 159</b>        | <b>120 000</b>         | <b>1 782 159</b>                   | <b>37 945 418</b>                | <b>(1 102 159)</b>                          | <b>(27 476 378)</b>  | <b>(10 725 785)</b>  | <b>423 265</b>          | <b>2 318 472</b>                      | <b>(1 895 217)</b>                 |

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.

**APPENDIX C(1) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

| Description                                | 2017/18         |                                    |                          |                |  |                                     | 2016/17                                |                          |    |
|--|-----------------|------------------------------------|--------------------------|----------------|--|-------------------------------------|--|--------------------------|----|
|  | Original Budget | Budget Adjustments (i.e. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |    |
| R thousand                                 | 1               | 2                                  | 3                        | 4              | 5  | 6                                   | 7                                      | 8                        | 12 |
| <b>Revenue - Standard</b>                  |                 |                                    |                          |                |  |                                     |  |                          |    |
| <i>Governance and administration</i>       |                 |                                    |                          |                |  |                                     |  |                          |    |
| Executive and council                      | 25 483          | 19 444                             | 44 927                   | 45 436         | 509  | 101.1%                              | 178.3%                                 | 36 126                   |    |
| Finance and administration                 | 7 291           | (3 111)                            | 4 180                    | 17 682         | 13 502   | 423.0%                              | 242.5%                                 | 3 727                    |    |
| Corporate services                         | 18 192          | 21 251                             | 39 443                   | 27 450         | (11 994)                                       | 69.6%                               | 150.9%                                 | 31 219                   |    |
| <i>Community and public safety</i>         |                 |                                    |                          |                |  |                                     |  |                          |    |
| Community and social services              | 14 129          | 1 304                              | 1 304                    | 304            | (999)  | 23.4%                               | #DIV/0!                                | 1 181                    |    |
| Sport and recreation                       | 1 922           | 6 774                              | 7 355                    | 8 670          | 1 315  | 117.9%                              | 61.4%                                  | 14 897                   |    |
| Public safety                              | 870             | 870                                | 2 792                    | 1 808          | (983)  | 64.8%                               | 94.1%                                  | 2 154                    |    |
| Housing                                    | 321             | 321                                | 321                      | 41             | (281)  | 12.7%                               | #DIV/0!                                | 283                      |    |
| Health                                     | 1 468           | 2 774                              | 4 242                    | 6 621          | 2 579  | 160.8%                              | 464.6%                                 | 12 460                   |    |
| <i>Economic and environmental services</i> |                 |                                    |                          |                |  |                                     |  |                          |    |
| Planning and development                   | 7 334           | (4 496)                            | 2 638                    | 1 187          | (1 651)  | 41.8%                               | 16.2%                                  | 3 001                    |    |
| Road transport                             | 571             | (171)                              | 400                      | —              | (400)  | —                                   | —                                      | 300                      |    |
| Environmental protection                   | 6 762           | (4 324)                            | 2 438                    | 1 187          | (1 251)  | 48.7%                               | 17.6%                                  | 2 701                    |    |
| <i>Trading services</i>                    |                 |                                    |                          |                |  |                                     |  |                          |    |
| Electricity                                | 21 707          | 2 397                              | 24 104                   | 21 180         | (2 924)  | 87.9%                               | 97.6%                                  | 28 192                   |    |
| Water                                      | 13 565          | (639)                              | 12 926                   | 13 441         | 515  | 104.0%                              | 99.1%                                  | 15 976                   |    |
| Waste water management                     | 3 826           | 749                                | 4 575                    | 3 319          | (1 256)  | 72.5%                               | 86.7%                                  | 5 048                    |    |
| Waste management                           | 2 637           | 1 357                              | 3 994                    | 2 906          | (1 088)  | 72.8%                               | 110.2%                                 | 4 474                    |    |
| Other                                      | 1 479           | 1 130                              | 2 609                    | 1 515          | (1 094)  | 58.1%                               | 102.4%                                 | 2 693                    |    |
| <b>Total Revenue - Standard</b>            | <b>68 652</b>   | <b>10 572</b>                      | <b>79 224</b>            | <b>76 473</b>  | <b>(2 751)</b>                                 | <b>96.5%</b>                        | <b>111.4%</b>                          | <b>82 216</b>            |    |

**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

| Description                                | R thousand    | 2017/18         |                                    |                          |                | 2016/17   |                                     |  |                          |
|--|---------------|-----------------|------------------------------------|--------------------------|----------------|---|-------------------------------------|--|--------------------------|
|  |               | Original Budget | Budget Adjustments (i.e. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| Expenditure - Standard                     | 1             | 2               | 3                                  | 4                        | 5              | 6   | 7                                   | 8                                      | 12                       |
| <b>Governance and administration</b>       |               |                 |                                    |                          |                |   |                                     |  |                          |
| Executive and council                      | 24 569        | 11 931          | 36 500                             | 26 912                   | (9 588)        | 73.7%   | 109.5%                              | 21 905                                 |                          |
| Finance and administration                 | 6 952         | 259             | 7 210                              | 6 928                    | (282)          | 96.1%   | 99.7%                               | 5 488                                  |                          |
| Corporate services                         | 17 618        | 6 779           | 24 397                             | 15 454                   | (8 943)        | 63.3%   | 87.7%                               | 12 316                                 |                          |
| <b>Community and public safety</b>         |               |                 |                                    |                          |                |   |                                     |  |                          |
| Community and social services              | 14 847        | 4 883           | 4 893                              | 4 530                    | (363)          | 92.6%   | 90.0%                               | 4 101                                  |                          |
| Sport and recreation                       | 1 911         | (5 486)         | 9 391                              | 11 534                   | 2 143          | 122.8%  | 77.7%                               | 15 277                                 |                          |
| Public safety                              | 1 579         | 1 579           | 3 490                              | 2 955                    | (536)          | 84.7%   | 154.6%                              | 2 723                                  |                          |
| Housing                                    | 728           | 166             | 895                                | 698                      | (197)          | 78.0%   | 95.8%                               | 465                                    |                          |
| Health                                     | 1 469         | 3 537           | 5 006                              | 7 881                    | 2 875          | 157.4%  | 536.5%                              | 12 089                                 |                          |
|  | 10 739        | (10 739)        |                                    |                          |                |   |                                     |  |                          |
| <b>Economic and environmental services</b> |               |                 |                                    |                          |                |   |                                     |  |                          |
| Planning and development                   | 9 582         | (4 586)         | 4 976                              | 6 821                    | 1 845          | 137.1%  | 71.3%                               | 5 311                                  |                          |
| Road transport                             | 571           | (179)           | 393                                | 344                      | (49)           | 87.5%   | 60.1%                               | 118                                    |                          |
| Environmental protection                   | 8 991         | (4 407)         | 4 583                              | 6 477                    | 1 894          | 141.3%  | 72.0%                               | 5 194                                  |                          |
|  |               |                 |                                    |                          |                |   |                                     |  |                          |
| <b>Trading services</b>                    |               |                 |                                    |                          |                |   |                                     |  |                          |
| Electricity                                | 19 374        | 928             | 20 294                             | 22 138                   | 1 844          | 109.1%  | 144.3%                              | 21 127                                 |                          |
| Water                                      | 10 090        | 1 292           | 11 382                             | 11 417                   | 36             | 100.3%  | 113.2%                              | 10 775                                 |                          |
| Waste water management                     | 4 007         | (12)            | 3 995                              | 3 337                    | (657)          | 83.5%   | 83.3%                               | 2 971                                  |                          |
| Waste management                           | 3 259         | (155)           | 3 104                              | 2 401                    | (704)          | 77.3%   | 73.7%                               | 2 238                                  |                          |
| Other                                      | 1 818         | (5)             | 1 813                              | 4 983                    | 3 170          | 274.8%  | 274.1%                              | 5 143                                  |                          |
| <b>Total Expenditure - Standard</b>        | <b>68 352</b> | <b>2 809</b>    | <b>71 161</b>                      | <b>67 405</b>            | <b>(3 756)</b> | <b>94.7%</b>  | <b>86.6%</b>                        | <b>63 621</b>                          |                          |
| <b>Surplus/(Deficit) for the year</b>      | <b>300</b>    | <b>7 783</b>    | <b>8 062</b>                       | <b>9 068</b>             | <b>1 005</b>   | <b>1.8%</b>   | <b>12.5%</b>                        | <b>18 596</b>                          |                          |

**APPENDIX C(2) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

| Vote Description                              | R thousand    | 2017/18         |                                    |                          |                | 2016/17   |  |  |                          |
|---|---------------|-----------------|------------------------------------|--------------------------|----------------|---|--|--|--------------------------|
|   |               | Original Budget | Budget Adjustments (i.e. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome as % of Final Budget against Adjustments | Actual Outcome as % of Original Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| <b>Revenue by Vote</b>                        |               |                 |                                    |                          |                |   |  |  |                          |
| Vote 1 - Executive and Council                | 7 291         | (3 111)         | 4 180                              | 17 682                   | 13 582         | 423.0%  | 242.5%                                 |  |                          |
| Vote 2 - Director Finance                     | 12 898        | 26 545          | 39 443                             | 27 450                   | (11 994)       | 69.5%   | 212.8%                                 | 3 727                                  | 31 219                   |
| Vote 3 - Director Corporate                   | 5 939         | (4 235)         | 1 704                              | 304                      | (1 399)        | 17.9%   | 5.1%                                   | 1 481                                  | 14 897                   |
| Vote 4 - Director Community                   | 19 200        | (11 846)        | 7 355                              | 8 670                    | 1 315          | 117.9%  | 45.2%                                  |  | 30 893                   |
| Vote 5 - Director Technical Services          | 23 324        | 3 218           | 26 542                             | 22 367                   | (4 175)        | 84.3%   | 95.9%                                  |  |                          |
| <b>Total Revenue by Vote</b>                  | <b>88 652</b> | <b>10 572</b>   | <b>79 224</b>                      | <b>76 473</b>            | <b>(2 751)</b> | <b>142.5%</b>   | <b>120.3%</b>                          | <b>82 216</b>                          |                          |
| <b>Expenditure by Vote to be appropriated</b> |               |                 |                                    |                          |                |   |  |  |                          |
| Vote 1 - Executive and Council                | 6 952         | 258             | 7 210                              | 6 928                    | (281)          | 96.1%   | 99.7%                                  |  |                          |
| Vote 2 - Director Finance                     | 10 037        | 14 790          | 24 927                             | 16 648                   | (8 179)        | 67.1%   | 165.9%                                 | 5 488                                  | 13 109                   |
| Vote 3 - Director Corporate                   | 7 936         | (2 650)         | 5 286                              | 4 874                    | (412)          | 92.2%   | 61.4%                                  | 4 218                                  |                          |
| Vote 4 - Director Community                   | 18 929        | (9 537)         | 9 391                              | 11 534                   | 2 142          | 122.8%  | 60.9%                                  | 15 277                                 |                          |
| Vote 5 - Director Technical Services          | 24 499        | (52)            | 24 447                             | 27 421                   | 2 974          | 112.2%  | 111.9%                                 | 25 528                                 |                          |
| <b>Total Expenditure by Vote</b>              | <b>68 382</b> | <b>2 899</b>    | <b>71 161</b>                      | <b>67 405</b>            | <b>(3 756)</b> | <b>0.0%</b>   | <b>0.0%</b>                            | <b>63 621</b>                          |                          |
| <b>Surplus/(Deficit) for the year</b>         | <b>300</b>    | <b>7 763</b>    | <b>8 062</b>                       | <b>9 068</b>             | <b>1 995</b>   | <b>0.0%</b>   | <b>0.0%</b>                            | <b>18 296</b>                          |                          |

**APPENDIX C(3) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**REVENUE AND EXPENDITURE**

| Description  | 2017/18         |                                    |                          |                |                 | 2016/17                             |  |  |                            |  |
|--|-----------------|------------------------------------|--------------------------|----------------|-----------------|-------------------------------------|--|--|----------------------------|--|
|  | Original Budget | Budget Adjustments (i.e. MFMA s28) | Final adjustments budget | Actual Outcome | Variance        | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Actual Outcome as % of Original Budget | Researched Audited Outcome |  |
| R thousand   | 1               | 2                                  | 3                        | 4              | 5               | 6                                   | 7                                      | 8                                      | 12                         |  |
| <b>Revenue By Source</b>   |                 |                                    |                          |                |                 |                                     |  |  |                            |  |
| Property rates   | 3 060           | -                                  | 3 060                    | 3 166          | 106             | 103.5%                              | 103.5%                                 | 103.5%                                 | 2 873                      |  |
| Property rates - penalties & collection charges                      | -               | -                                  | -                        | -              | -               | -                                   | -                                      | -                                      | -                          |  |
| Service charges - electricity revenue                                | 13 565          | (380)                              | 13 185                   | 13 441         | 256             | 101.9%                              | 99.1%                                  | 99.1%                                  | 13 268                     |  |
| Service charges - water revenue                                      | 3 826           | (671)                              | 3 155                    | 3 319          | 164             | 105.2%                              | 86.8%                                  | 86.8%                                  | 3 628                      |  |
| Service charges - sanitation revenue                                 | 2 637           | (43)                               | 2 594                    | 2 906          | 312             | 112.0%                              | 10.2%                                  | 10.2%                                  | 2 554                      |  |
| Service charges - refuse revenue                                     | 1 479           | (46)                               | 1 433                    | 1 537          | 104             | 107.3%                              | 103.9%                                 | 103.9%                                 | 1 470                      |  |
| Service charges - other  | -               | -                                  | -                        | -              | -               | -                                   | -                                      | -                                      | -                          |  |
| Rental of facilities and equipment                                   | 438             | 24                                 | 462                      | 487            | 25              | 105.5%                              | 111.2%                                 | 111.2%                                 | 398                        |  |
| Interest earned - external investments                               | 1 060           | 1 320                              | 2 380                    | 2 588          | 208             | 108.8%                              | 244.2%                                 | 244.2%                                 | 2 283                      |  |
| Interest earned - outstanding debtors                                | 780             | (250)                              | 530                      | 573            | 43              | 108.2%                              | 73.5%                                  | 73.5%                                  | 510                        |  |
| Dividends received   | -               | -                                  | -                        | -              | -               | -                                   | -                                      | -                                      | -                          |  |
| Fines  | 4 013           | (300)                              | 3 713                    | 6 512          | 2 800           | 175.4%                              | 162.3%                                 | 162.3%                                 | 11 925                     |  |
| Licences and permits   | 180             | 28                                 | 208                      | 262            | 54              | 125.9%                              | 145.5%                                 | 145.5%                                 | 263                        |  |
| Agency services  | -               | -                                  | -                        | -              | -               | -                                   | -                                      | -                                      | -                          |  |
| Transfers recognised - operational                                   | 36 050          | (952)                              | 35 098                   | 23 896         | (11 203)        | 68.1%                               | 66.3%                                  | 66.3%                                  | 23 427                     |  |
| Other revenue  | 1 565           | 3 613                              | 5 178                    | 959            | (4 219)         | 18.5%                               | 61.3%                                  | 61.3%                                  | 4 879                      |  |
| <b>Gains on disposal of PPE</b>                                      |                 |                                    |                          |                |                 |                                     |  |  |                            |  |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>69 652</b>   | <b>2 343</b>                       | <b>70 995</b>            | <b>59 646</b>  | <b>(11 349)</b> | <b>0.0%</b>                         | <b>0.0%</b>                            | <b>0.0%</b>                            | <b>67 479</b>              |  |

| Description<br>R thousand                                 | 2017/18                            |  |                                |                   |                |   | 2016/17                                      |                                |
|---|------------------------------------|--|--------------------------------|-------------------|----------------|---|--|--------------------------------|
|   | Original Budget<br>(lto. MFMA s28) | Budget<br>Adjustments<br>(lto. MFMA s28) | Final<br>adjustments<br>budget | Actual<br>Outcome | Variance       | Actual Outcome<br>as % of Final<br>Budget | Actual Outcome<br>as % of Original<br>Budget | Restated<br>Audited<br>Outcome |
|   | 1                                  | 2  | 3                              | 4                 | 6              | 7   | 8  | 12                             |
| <b>Expenditure By Type</b>                                |                                    |  |                                |                   |                |   |  |                                |
| Employee related costs                                    | 18 610                             | (719)                                    | 17 891                         | 20 338            | 2 447          | 113.7%                                    | 109.3%                                       | 15 573                         |
| Remuneration of councillors                               | 2 915                              | -  | 2 915                          | 2 926             | 13             | 100.5%                                    | 100.5%                                       | 2 627                          |
| Debt impairment   | 5 449                              | -  | 5 449                          | 8 638             | 3 209          | 158.9%                                    | 158.9%                                       | 11 582                         |
| Depreciation & asset impairment                           | 2 813                              | -  | 2 813                          | 5 463             | 2 650          | 194.2%                                    | 194.2%                                       | 5 382                          |
| Finance charges   | 85                                 | (30)                                     | 55                             | 1 158             | 1 103          | 2105.6%                                   | 1362.5%                                      | 1 294                          |
| Bulk purchases  | 8 474                              | (574)                                    | 7 900                          | 9 522             | 1 622          | 120.5%                                    | 112.4%                                       | 9 730                          |
| Other materials   | 2 034                              | (28)                                     | 2 006                          | 1 178             | (828)          | 58.7%                                     | 57.9%  | 1 038                          |
| Contracted services                                       | 18 258                             | (10 516)                                 | 7 743                          | 7 150             | (593)          | 92.3%                                     | 39.2%  | 7 668                          |
| Transfers and grants                                      | -                                  | -  | -                              | 380               | 380            | #DIV/0!                                   | #DIV/0!                                      | 115                            |
| Other expenditure   | 9 714                              | 14 675                                   | 24 389                         | 8 721             | (15 668)       | 35.8%                                     | 89.8%  | 8 625                          |
| Loss on disposal of PPE                                   | -                                  | -  | -                              | 1 931             | 1 931          | #DIV/0!                                   | #DIV/0!                                      | (0)                            |
| <b>Total Expenditure</b>                                  | <b>68 352</b>                      | <b>2 899</b>                             | <b>71 161</b>                  | <b>67 428</b>     | <b>(3 733)</b> | <b>0.0%</b>                               | <b>0.0%</b>                                  | <b>63 572</b>                  |
| <b>Surplus/(Deficit)</b>                                  |                                    |  |                                |                   |                |   |  |                                |
| Transfers recognised - capital                            | -                                  | -  | -                              | -                 | -              | -   | -  | -                              |
| Contributions recognised - capital                        | -                                  | 8 228                                    | 8 228                          | 10 726            | 2 497          | 130.3%                                    | #DIV/0!                                      | 14 690                         |
| Contributed assets  | -                                  | -  | -                              | -                 | -              | -   | -  | -                              |
| Surplus/(Deficit) after capital transfers & contributions | -                                  | -  | -                              | -                 | -              | -   | -  | -                              |
| Taxation  | -                                  | -  | -                              | -                 | -              | -   | -  | -                              |
| Surplus/(Deficit) after taxation                          | -                                  | -  | -                              | -                 | -              | -   | -  | -                              |
| Attributable to minorities                                | -                                  | -  | -                              | -                 | -              | -   | -  | -                              |
| Surplus/(Deficit) attributable to municipality            | -                                  | -  | -                              | -                 | -              | -   | -  | -                              |
| Share of surplus/ (deficit) of associate                  | -                                  | -  | -                              | -                 | -              | -   | -  | -                              |
| Surplus/(Deficit) for the year                            | 390                                | 7 763                                    | 8 062                          | 2 944             | (5 119)        | 0.0%                                      | 0.0%   | 18 596                         |

**APPENDIX C(4) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

| Vote Description<br>R thousand          | 2017/18         |   |                                |                   |                | 2016/17                                   |  |
|---|-----------------|---|--------------------------------|-------------------|----------------|---|--|
|   | Original Budget | Total Budget<br>Adjustments<br>(i.e. MFMA 28) | Final<br>adjustments<br>budget | Actual<br>Outcome | Variance       | Actual Outcome<br>as % of Final<br>Budget | Actual Outcome<br>as % of Original<br>Budget |
| <b>Single-year expenditure</b>          |                 |   |                                |                   |                |   |  |
| Vote 1 - Executive and Council          | 300             | 735   | 1 035                          | 86                | (949)          | 8%  | 29%  |
| Vote 2 - Director Finance               | -               | 690   | 690                            | 419               | (270)          | 61%                                       | #DIV/0!                                      |
| Vote 3 - Director Corporate             | -               | -   | -                              | 27                | 27             | #DIV/0!                                   | 691  |
| Vote 4 - Director Community             | 492             | 138   | 630                            | 148               | (482)          | 23%                                       | -  |
| Vote 5 - Director Technical Services    | 7 736           | 7 292   | 15 029                         | 10 701            | (4 327)        | 71%                                       | 1 209  |
| Capital single-year expenditure         | 8 529           | 8 855   | 17 383                         | 11 381            | (6 002)        | 138%                                      | 11 321                                       |
| <b>Total Capital Expenditure - Vote</b> | <b>8 529</b>    | <b>8 855</b>                                  | <b>17 383</b>                  | <b>11 381</b>     | <b>(6 002)</b> | <b>0%</b>                                 | <b>0%</b>                                    |
|   |                 |   |                                |                   |                |   | 13 221                                       |

| Vote Description<br>R thousand              | 2017/18         |   |                          |                |          |                                     | 2016/17                                |                         |  |                                     |                         |  |
|---|-----------------|---|--------------------------|----------------|----------|-------------------------------------|--|-------------------------|--|-------------------------------------|-------------------------|--|
|   | Original Budget | Total Budget Adjustments<br>(Lto. MFMA S28) | Final adjustments budget | Actual Outcome | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Revised Audited Outcome | Actual Outcome as % of Original Budget | Actual Outcome as % of Final Budget | Revised Audited Outcome |  |
|   | 1               | 2   | 3                        | 4              | 6        | 7                                   | 8                                      | 12                      | 1                                      | 2                                   | 12                      |  |
| <b>Capital Expenditure - Standard</b>       |                 |   |                          |                |          |                                     |  |                         |  |                                     |                         |  |
| <b>Governance and administration</b>        |                 |   |                          |                |          |                                     |  |                         |  |                                     |                         |  |
| Executive and council                       | 300             | 1 270                                       | 1 570                    | 1 140          | (429)    | 73%                                 | 38%                                    | 1 280                   | 1 280                                  | 1 280                               | -                       |  |
| Finance and administration                  | 300             | 735   | 1 035                    | 693            | (342)    | 67%                                 | 23%                                    | #DIV/0!                 | #DIV/0!                                | #DIV/0!                             | -                       |  |
| Corporate services                          | -               | 535   | 535                      | 419            | (115)    | 78%                                 | #DIV/0!                                | 1 280                   | 1 280                                  | 1 280                               | -                       |  |
| <b>Community and public safety</b>          |                 |   |                          |                |          |                                     |  |                         |  |                                     |                         |  |
| Community and social services               | -               | 492   | 138                      | 630            | 27       | 27                                  | #DIV/0!                                | #DIV/0!                 | #DIV/0!                                | #DIV/0!                             | -                       |  |
| Sport and recreation                        | -               | 492   | 138                      | 630            | 88       | 23%                                 | 30%                                    | 2 621                   | 2 621                                  | 2 621                               | -                       |  |
| Public safety                               | -               | 492   | 138                      | 630            | 60       | #DIV/0!                             | #DIV/0!                                | 1 209                   | 1 209                                  | 1 209                               | -                       |  |
| Housing                                     | -               | -   | -                        | -              | (570)    | 10%                                 | 12%                                    | 1 412                   | 1 412                                  | 1 412                               | -                       |  |
| Health                                      | -               | -   | -                        | -              | -        | -                                   | -                                      | -                       | -                                      | -                                   | -                       |  |
| <b>Economic and environmental services</b>  |                 |   |                          |                |          |                                     |  |                         |  |                                     |                         |  |
| Planning and development                    | 4 648           | (1 252)                                     | 3 396                    | 2 637          | (759)    | 78%                                 | 57%                                    | 289                     | 289                                    | 289                                 | -                       |  |
| Road transport                              | 4 648           | (1 252)                                     | 3 396                    | 2 637          | (759)    | 78%                                 | 57%                                    | 269                     | 269                                    | 269                                 | -                       |  |
| Environmental protection                    | -               | -   | -                        | -              | -        | -                                   | -                                      | -                       | -                                      | -                                   | -                       |  |
| <b>Trading services</b>                     |                 |   |                          |                |          |                                     |  |                         |  |                                     |                         |  |
| Electricity                                 | 3 088           | 8 669                                       | 11 787                   | 7 456          | (4 331)  | 63%                                 | 241%                                   | 11 046                  | 11 046                                 | 11 046                              | -                       |  |
| Water                                       | 1 000           | 3 550                                       | 4 550                    | 3 037          | (1 513)  | 67%                                 | 304%                                   | 878                     | 878                                    | 878                                 | -                       |  |
| Waste water management                      | 1 500           | 4 994                                       | 6 494                    | 403            | (6 092)  | 6%                                  | 27%                                    | 2 841                   | 2 841                                  | 2 841                               | -                       |  |
| Waste management                            | -               | -   | -                        | 3 496          | 3 496    | #DIV/0!                             | #DIV/0!                                | 7 328                   | 7 328                                  | 7 328                               | -                       |  |
| Other                                       | 588             | -   | 588                      | 520            | (68)     | 88%                                 | 88%                                    | -                       | -                                      | -                                   | -                       |  |
| <b>Total Capital Expenditure - Standard</b> | 8 528           | 8 855                                       | 17 383                   | 11 381         | (155)    | -                                   | -                                      | 0%                      | 0%                                     | 0%                                  | 13 937                  |  |
| <b>Funded By:</b>                           |                 |   |                          |                | (6 002)  |                                     |  |                         |  |                                     |                         |  |
| National Government                         | 8 228           | -   | 8 228                    | 8 228          | -        | 100%                                | 100%                                   | 8 643                   | 8 643                                  | 8 643                               | -                       |  |
| Provincial Government                       | -               | 2 000                                       | 2 000                    | 2 000          | -        | 100%                                | #DIV/0!                                | 6 174                   | 6 174                                  | 6 174                               | -                       |  |
| District Municipality                       | -               | -   | -                        | -              | -        | -                                   | -                                      | -                       | -                                      | -                                   | -                       |  |
| Other transfers and grants                  | -               | -   | -                        | -              | -        | -                                   | -                                      | -                       | -                                      | -                                   | -                       |  |
| Transfers recognized - capital              | 8 228           | 2 000                                       | 10 228                   | 10 228         | -        | 100%                                | 124%                                   | 14 816                  | 14 816                                 | 14 816                              | -                       |  |
| Public contributions & donations            | -               | -   | -                        | -              | -        | -                                   | -                                      | -                       | -                                      | -                                   | -                       |  |
| Borrowing                                   | -               | -   | -                        | -              | -        | -                                   | -                                      | -                       | -                                      | -                                   | -                       |  |
| Internally generated funds                  | -               | -   | 7 155                    | 1 152          | (6 002)  | 16%                                 | #DIV/0!                                | (1 595)                 | (1 595)                                | (1 595)                             | -                       |  |
| <b>Total Capital Funding</b>                | 8 228           | 2 000                                       | 17 383                   | 11 381         | (6 002)  | 0%                                  | 0%                                     | 13 221                  | 13 221                                 | 13 221                              | -                       |  |

**APPENDIX C(5) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**CASH FLOWS**

| Reference   | Description | 2017/18         |                                   |                            | 2016/17        |             |  |
|---|-------------|-----------------|-----------------------------------|----------------------------|----------------|-------------|--|
|   |             | Original Budget | Budget Adjustment<br>(A.L.o. x20) | Final Adjustment<br>Budget | Actual Outcome | Variance    | Actual Outcome as %<br>of Final Budget |
|   |             | 1               | 2                                 | 3                          | 4              | 5           | 6                                      |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>            |             |                 |                                   |                            |                |             |  |
| Receipts  |             |                 |                                   |                            |                |             |  |
| Property value, penalties and collection charges      | 3 060       | -               | 3 060                             | 26 693                     | 22 633         | 88.1%       | 87 000                                 |
| Service due gas                                       | 21 500      | -               | 20 368                            | -                          | (20 368)       | 60.0%       | 18 112                                 |
| Other revenues  | 8 580       | -               | 9 953                             | -                          | (9 953)        | 60.0%       | -                                      |
| Government spending                                   | 35 646      | -               | 34 684                            | 23 751                     | (10 943)       | -46.1%      | 30 000                                 |
| Government - capital                                  | -           | -               | -                                 | 10 669                     | 10 669         | 100.0%      | 10 669                                 |
| Interest  | 1 140       | -               | 2 910                             | 3 162                      | 252            | 8.7%        | 14 690                                 |
| Dividends   | -           | -               | -                                 | -                          | -              | -           | 4 700                                  |
| Payments  | (16 817)    | -               | (16 452)                          | (53 209)                   | 15 268         | -20.7%      | (62 000)                               |
| Suppliers and employees                               | (95)        | -               | (95)                              | (1 105)                    | (1 105)        | 95.3%       | (1 105)                                |
| Finance charges                                       | (2 850)     | -               | (300)                             | (380)                      | (380)          | 100.0%      | (380)                                  |
| Transfers and Grants                                  | -           | -               | -                                 | -                          | -              | -           | (115)                                  |
| <b>NET CASH (FROM/(USED)) IN OPERATING ACTIVITIES</b> | <b>390</b>  | <b>-</b>        | <b>2 448</b>                      | <b>8 470</b>               | <b>6 822</b>   | <b>8.9%</b> | <b>16 379</b>                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |             |                 |                                   |                            |                |             |  |
| Receipts  |             |                 |                                   |                            |                |             |  |
| Proceeds on Disposal of Fixed Assets                  | -           | -               | -                                 | 449                        | 449            | 100.0%      | 400                                    |
| Purchase of Intangible Assets                         | -           | -               | -                                 | (21)                       | (21)           | 100.0%      | 40                                     |
| Decrease (increase) other non-current receivables     | -           | -               | -                                 | -                          | -              | -           | (2)                                    |
| Decrease (increase) in non-current investments        | -           | -               | -                                 | -                          | -              | -           | -                                      |
| Capital assets  | -           | -               | -                                 | -                          | -              | -           | -                                      |
| <b>NET CASH (FROM/(USED)) INVESTING ACTIVITIES</b>    | <b>-</b>    | <b>-</b>        | <b>(10 472)</b>                   | <b>(10 472)</b>            | <b>100.0%</b>  | <b>400</b>  | <b>(15 773)</b>                        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |             |                 |                                   |                            |                |             |  |
| Receipts  |             |                 |                                   |                            |                |             |  |
| Short term loans                                      | -           | -               | -                                 | (89)                       | (89)           | 100.0%      | 80                                     |
| Borrowing long term/short term                        | -           | -               | -                                 | -                          | -              | -           | (70)                                   |
| Interest (income) in consumer deposits                | -           | -               | -                                 | 15                         | 15             | 100.0%      | 132                                    |
| Payments  | -           | -               | -                                 | -                          | -              | -           | 18                                     |
| Repayment of Borrowing                                | -           | -               | -                                 | -                          | -              | -           | -                                      |
| <b>NET CASH (FROM/(USED)) FINANCING ACTIVITIES</b>    | <b>-</b>    | <b>-</b>        | <b>(54)</b>                       | <b>(54)</b>                | <b>100.0%</b>  | <b>80</b>   | <b>79</b>                              |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>           | <b>300</b>  | <b>-</b>        | <b>2 448</b>                      | <b>(1 507)</b>             | <b>16.6%</b>   | <b>863</b>  | <b>79</b>                              |
| Cash held equivalent at the year begin:               | 20 250      | -               | 27 562                            | 27 412                     | -              | 26 748      | -                                      |
| Cash held equivalent at the year end:                 | 20 559      | -               | 30 400                            | 25 414                     | (4 985)        | -15.5%      | 27 412                                 |

**APPENDIX D - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**SCHEDULE OF SCM DEVIATIONS FOR THE YEAR ENDED 30 JUNE 2018**

| SUPPLIER                       | GOODS / SERVICES   | AMOUNT Exclusive of VAT | REASON      |
|--------------------------------|--|-------------------------|-------------|
| FILCO ENGINEERING SUPPLIES     | It was impractical to obtain more than one quote seeing that it was a strip and quote.               | 2 426,00                | Impractical |
| RADIO GAMKALAND                | It was impractical to obtain more than one quote seeing that it was a strip and quote.               | 4 500,00                | Impractical |
| SS SWEIS EN HERSTEL            | It was impractical to obtain more than one quote seeing that it was a strip and quote.               | 2 287,66                | Impractical |
| KIA GEORGE MULTIFRANCHISE      | The vehicle was under a service plan at Kia.   | 5 431,43                | Impractical |
| ADV S LOURENS                  | Mr. S Louwrens are used seeing that he was familiar with the disciplinary hearing of Mr. Meiringies. | 29 820,00               | Impractical |
| PAY DAY                        | It is the payroll service provider of the municipality.  | 16 118,00               | Impractical |
| OUDTSHOORN FORD                | The vehicle was under a service plan at Ford.  | 8 445,40                | Impractical |
| JAN NEL ELEKTRIES              | The only service provider that could have performed the work in due time.                            | 15 542,50               | Emergency   |
| KONTREI ELECTRICAL CONSULTANTS | The only service provider that could have performed the work in due time.                            | 44 628,70               | Emergency   |
| AUTO ELECTRO                   | It was impractical to obtain more than one quote seeing that it was a strip and quote.               | 2 500,00                | Impractical |
| NATIONAL GARAGE                | Only one of two service providers that sell prepaid electricity on behalf of the Municipality.       | 32 911,24               | Impractical |
| AUTO TECH                      | It was impractical to obtain more than one quote seeing that it was a strip and quote.               | 12 264,28               | Impractical |
| CAB HOLDINGS                   | In the process to appoint service provider, but had to print out the monthly billings.               | 4 594,61                | Impractical |
| <i>Total</i>                   |  | <b>101 470</b>          |             |